

*Hampton Roads
Regional Jail Authority*



Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2018

Hampton Roads Regional Jail Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

2690 Elmhurst Lane
Portsmouth, Virginia 23701-2745

Prepared by the Finance Division

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Superintendent

Deborah J. Hand
Director of Finance

Deanna L. Isom
Accounting and Budgeting
Manager

INTRODUCTORY SECTION

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (UNAUDITED):	
Table of Contents	i-ii
Board Members	iii
Organizational Chart	v
Principal Officials.....	vii
Certificate of Achievement for Excellence in Financial Reporting	ix
Letter of Transmittal.....	xi-xv
FINANCIAL SECTION:	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	5-9
Basic Financial Statements:	
Exhibit 1 Statement of Net Position	10-11
Exhibit 2 Statement of Revenues, Expenses and Changes in Net Position.....	13
Exhibit 3 Statement of Cash Flows	14
Notes to Financial Statements	15-77
REQUIRED SUPPLEMENTARY INFORMATION:	
Exhibit 4 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	81
Exhibit 5 Schedule of Employer Contributions – Pension Plan.....	82
Exhibit 6 Notes to Required Supplementary Information – Pension Plan	83
Exhibit 7 Schedule of Changes in total OPEB Liability and Related Ratios	84
Exhibit 8 Notes to Required Supplementary Information – Retiree Health Plan	85
Exhibit 9 Schedule of Authority's Share of Net OPEB Liability – Group Life Insurance Program.....	86
Exhibit 10 Schedule of Employer Contributions – Group Life Insurance Program	87
Exhibit 11 Notes to Required Supplementary Information – Group Life Insurance Program .	88-89
Exhibit 12 Schedule of Authority's Share of Net OPEB Liability – Virginia Local Disability Program (VLDP)	90
Exhibit 13 Schedule of Employer Contributions – Virginia Local Disability Program (VLDP)	91
Exhibit 14 Notes to Required Supplementary Information – Virginia Local Disability Program (VLDP)	92

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION:	
Notes to Reconciliation of Budgetary Expenditures to Operating Expenses	95
Schedule 1 Reconciliation of Budgetary Expenditures to Operating Expenses	97
Schedule 2 Schedule of Revenues and Expenditures – Budget to Actual	98-99
STASTICAL SECTION (UNAUDITED):	
Table 1 Net Position – By Component	102
Table 2 Changes in Net Position	103
Table 3 Per Diem Revenues	104
Table 4 Per Diem Rates	105
Table 5 Revenue Bond Coverage Compliance with Indenture Revenue Covenant.....	106
Table 6 Outstanding Debt by Type Ratios to Total Personal Income and Population.....	107
Table 7 Demographic Statistics for Member Jurisdictions	108
Table 8 Full-time Equivalent Employees – By Function.....	109
Table 9 Inmate Population Statistics	110
Table 10 Average Daily Inmate Population of Member City Jails.....	111
Table 11 Average Daily Inmate Population – Hampton Roads Regional Jail and Member City Jails – Combined	112
Table 12 Inmate Days and Per Diems Billed – By Jurisdiction.....	113
Table 13 Principal Employers	114-115
Table 14 Total Expenses – By Function	116
Table 15 Total Revenue – By Source.....	117
Table 16 Miscellaneous Statistical Data	118
Table 17 Debt Service Schedule	119
Table 18 Schedule of Insurance in Force	120
COMPLIANCE SECTION:	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	123-124

**HAMPTON ROADS REGIONAL JAIL AUTHORITY
BOARD MEMBERS**

James E. Baker, City Manager, Chesapeake
Alternate: Robert Geis, Deputy City Manager, Chesapeake, **Vice Chair**
Alternate: Nancy Tracy, Director of Finance, Chesapeake

Jim O'Sullivan, Sheriff, Chesapeake
Alternate: Lt. Colonel Clayton Bennett, Chief Deputy, Chesapeake

Robert C. Ike, Jr., City Council Member, Chesapeake
Alternate: John de Triquet, City Council Member, Chesapeake

Chris Snead, City Council Member, Hampton
Alternate: Jimmy Gray, City Council Member, Hampton

B. J. Roberts, Sheriff, Hampton
Alternate: Colonel Karen E. Bowden, Undersheriff, Hampton

Mary B. Bunting, City Manager, Hampton
Alternate: Brian DeProfio, Special Projects Manager, Hampton

Sharon P. Scott, City Council Member, Newport News
Alternate: Honorable Tina Vick, City Council Member, Newport News

Gabriel A. Morgan, Sheriff, Newport News
Alternate: Colonel Eileen Sprinkle, Chief Deputy, Newport News

Cynthia Rohlf, Acting City Manager, Newport News
Alternate: Alan Archer, Assistant City Manager, Newport News

Martin A. Thomas, Jr., City Council Member, Norfolk, **Chair**
Alternate: Paul R. Riddick, City Council Member, Norfolk

Joseph Baron, Sheriff, Norfolk
Alternate: Lt. Colonel Michael O'Toole, Norfolk Sheriff's Office

Douglas L. Smith, City Manager, Norfolk
Alternate: Michael Goldsmith, Deputy City Manager, Norfolk

Nathan J. Clark, City Council Member, Portsmouth
Alternate: William E. Moody, Jr., City Council Member, Portsmouth

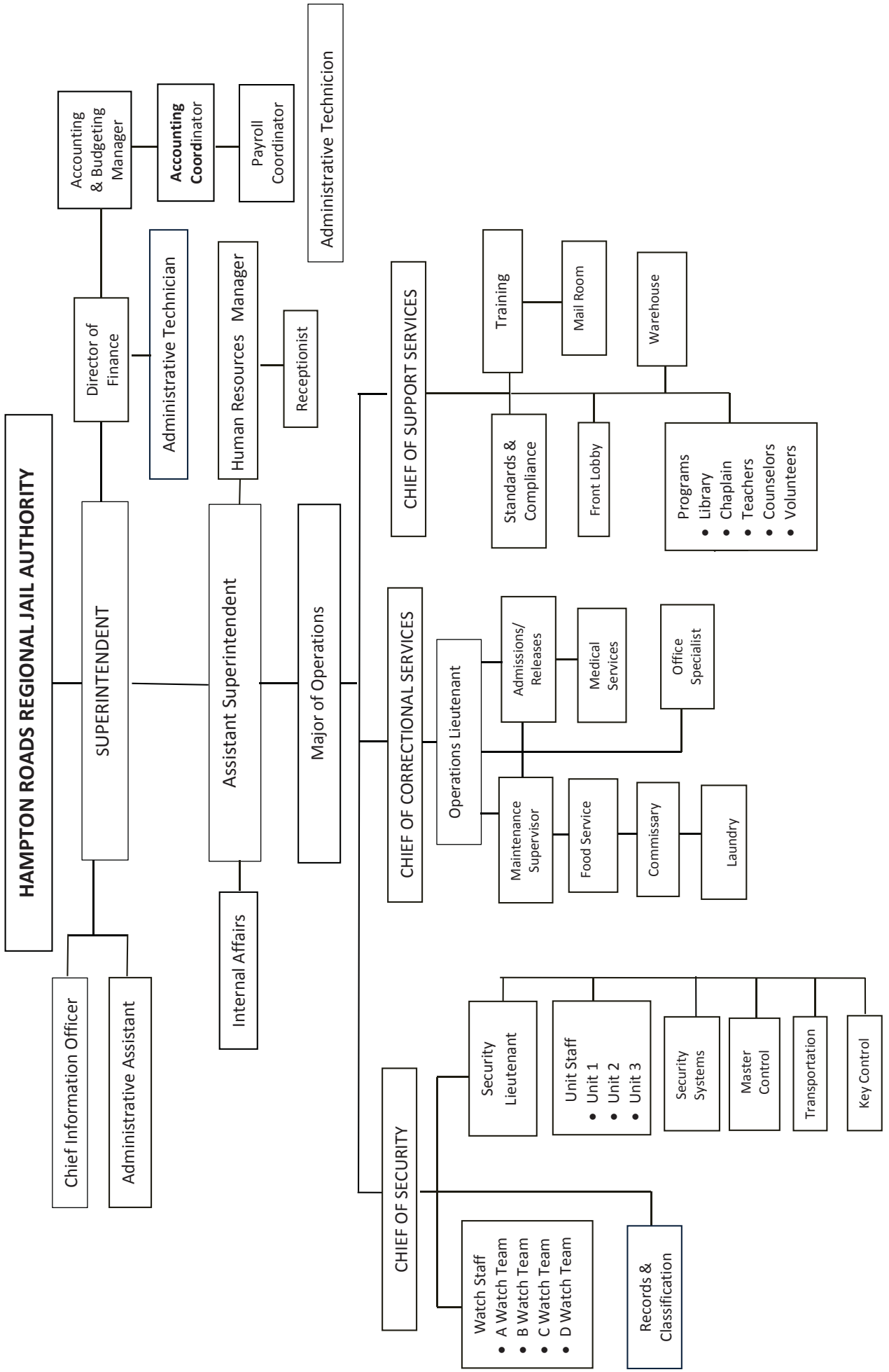
Michael Moore, Sheriff, Portsmouth
Alternate: Lt. Colonel William Rucker, Chief Deputy, Portsmouth

Lydia Pettis Patton, City Manager, Portsmouth
Alternate: Cheryl Spivey, Chief Financial Officer, Portsmouth

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HAMPTON ROADS REGIONAL JAIL

ORGANIZATIONAL CHART



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HAMPTON ROADS REGIONAL JAIL AUTHORITY

PRINCIPAL OFFICIALS

(as of June 30, 2018)

David A. Hackworth, Colonel	Superintendent
Vacant	Assistant Superintendent
Felicia M. Cowan, Major	Major of Operations
Thurman D. Barnes, Captain	Chief of Correctional Services
Frank T. Ellis, Captain	Chief of Security
Winston T. Bhagirath, Jr, Captain	Chief of Support Services
Cliff Hayes	Chief Information Officer
Charles W. Bruce, Jr	Human Resources Manager
Deborah J. Hand	Director of Finance
Deanna L. Isom	Accounting & Budgeting Manager
Winston T. Bhagirath, Jr., Lieutenant	Correctional Services
Karas J. Mack, Lieutenant	Operations
Heriberto Villanueva, Lieutenant	Security
Eric D. Jones, Lieutenant	Training
Pamela L. Ellis, Lieutenant	Watch Commander
Jose' fina Holder, Lieutenant	Watch Commander
Earl Ward, Lieutenant	Watch Commander
Lawrence Nichols, Lieutenant	Watch Commander
Tamara L. Everette, Sergeant	Assistant Watch Commander
Mary M. Cheeseboro, Sergeant	Assistant Watch Commander
Michael W. McNeil, Sergeant	Assistant Watch Commander
Tony Nash II, Sergeant	Assistant Watch Commander
Nicole M. Frey, Sergeant	Unit Manager
William A. Epperson, Sergeant	Unit Manager
Ernest P. Kelly, Sergeant	Unit Manager
Derrick R. Brown, Sergeant	Unit Manager
Sonya D. Cherry, Sergeant	Unit Manager
Harry Lewis, Sergeant	Unit Manager
Sherre M. Cassells, Sergeant	Unit Manager
Hilarie G. Whitehead, Sergeant	Unit Manager
Risha M. Davis, Sergeant	Unit Manager
LaShonda Carlisle, Sergeant	Unit Manager
Stephen T. Phillips, Lieutenant	Internal Affairs
Latoya J. Jones, Sergeant	Intake/Release/Property
Michael W. Johnson, Sergeant	Maintenance/Warehouse
Anaya Chandler, Sergeant	Programs
Kuanasia K. Murphy, Sergeant	Transportation
Valencia M. Phillips, Sergeant	Training
Floyd H. Copeland III, Sergeant	Security Systems
Danny Rosario, Sergeant	Standards /Compliance
Ebony N. Herelle, Sergeant	Records Supervisor
Cardell T. Dickerson, Sergeant	Classifications Supervisor
April D. Green, HSA, Contractor Employee	Inmate Medical Services Administrator
Dr. Dale Moreno, MD	Medical Director
Bobby Brown, Contractor Employee	Food Service Director
Doug Garnett, Contractor Employee	Facility Maintenance Director
Rev. Gene Sayre, Jr., Good News Ministries	Chaplain

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Hampton Roads Regional Jail Authority
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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December 19, 2018

**Members of the Board
Hampton Roads Regional Jail Authority**

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the *Hampton Roads Regional Jail Authority* (Authority) for the fiscal year ended June 30, 2018. The report submitted herewith is in accordance with applicable requirements, including the provisions of the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts, Commonwealth of Virginia as revised July, 2018. This report was prepared by the Authority's Finance Division in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the Authority. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

GASB requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the Independent Auditors' Report in the financial section.

Profile of the Organization

As an intergovernmental joint venture created by the four original cities of Hampton, Newport News, Norfolk, and Portsmouth, the Authority is considered a stand-alone governmental entity for financial reporting purposes. The financial reporting entity is a single enterprise fund of the Authority. The facility was built beginning in 1996 and opened on March 16, 1998. Its primary function is to provide additional incarceration capacity to the Member Jurisdictions. It provides incarceration services for both pre-trial and sentenced inmates and by practice, tends to house a large portion of the medical, mentally ill and female inmates for the Members Jurisdictions. The Authority is designed and operates to accommodate all types of inmates from the member cities' jails including those with special needs and those who require special management. Beginning July 1, 2014, the City of Chesapeake entered into an agreement with the Authority to become a full member upon adoption of the agreement by all five City Councils. This was accomplished by approval of a revised and restated Service Agreement by all five governing bodies, effective August 26, 2014.

Information Useful in Assessing Economic Condition

The Authority's financial and economic outlook is stable. The economic stability of the Authority was based in large part on the contractual obligations of the five member cities to provide and pay for at least 1,125 inmates per day. Chesapeake became a full member August 26, 2014. This increased the minimum number of inmates per day to 1,125 as of July 1, 2016. Each of the member cities operate their own jails, from which selected inmates are transferred to the Authority. Each of the member cities has an ample number of inmates to meet its inmate supply obligations to the Authority.

By resolution, the city councils of the four original member cities, agreed to provide and pay for a minimum of 875 inmates as follows: Hampton-175; Newport News-200; Norfolk-250; Portsmouth-250 and Chesapeake-250. As the newest member, Chesapeake phased in the number of inmates housed by the Authority increasing their inmate population at the rate of 25 per quarter until July 1, 2016. The member cities pay a per diem cost per inmate. Effective July 1, 2018, the current base rate is \$69.00 per inmate per day for member cities, with the exception of the host city, Portsmouth, which pays \$64.45. The five member cities are charged \$40.00 per inmate per day for all inmate days in excess of the contract minimum up to 20% over the contract minimum and the base rate for any additional inmates.

The Authority's Operating Expenses for fiscal year ending June 30, 2018 were \$1,516,185 below budget. Transfers totaling \$483,080 from the Capital Repair and Replacement Reserve Fund were authorized by the Authority Board. Revenues, primarily from Compensation Board Reimbursements and Member Per Diems, exceeded budgeted amounts by \$582,337. The Authority finished the fiscal year with a favorable Operating Budget variance of \$1,888,650.

Long-Range Financial Planning

As part of the annual budget process, a five-year projection model is used to forecast rate adjustments. The model focuses on operating revenues and expenses as well as debt service and investment income. A five-year Capital Improvement Plan is used to forecast planned Capital Repair and Replacement costs.

Medical expenses comprise a large percentage of the Authority's annual budget. In 2018, the Virginia General Assembly passed legislation which allows for the expansion of Medicaid. With this change in legislation, many of the Jail's offenders will now be eligible for benefits when the program starts, January 1, 2019. The Authority is working closely with the Department of Medical Assistance Services (DMAS) to put procedures in place to register qualifying offenders in the new program. It is expected that this program will substantially reduce the Authority's off-site medical costs in the future.

Major Initiatives

In FY2017 the Authority changed the Leave Policy to eliminate compensatory time accrual and began paying overtime each pay cycle. The Authority also created a policy of mandatory overtime to compensate for staffing vacancies in FY2017. These changes in policy resulted in \$1.4M of overtime expenses in FY2018. Since that time, staffing levels have stabilized and the Authority plans to discontinue mandatory overtime to reduce FY2019 overtime expenses.

Major Initiatives: (Continued)

The Commonwealth of Virginia Board of Corrections conducted its triennial inspection in May, 2018. The Authority received a conditional score of 100% compliance with all applicable standards. This score will go to the Board of Corrections for final confirmation. This certification was originally granted in 1999. Certification inspections are conducted every three years. The last Life, Health and Safety inspection was last conducted in January, 2017 and the Authority was in compliance with applicable standards.

The Authority was accredited by the Commission on Accreditation for Corrections and the American Correctional Association (ACA) in January 2001 and re-accredited in 2004, 2007, 2010, 2012 and 2015. In order to receive ACA accreditation, the Regional Jail Authority was required to demonstrate compliance with the ACA's Standards for Adult Local Detention Facilities. These standards are comprehensive and cover all areas of jail operations and administration. The accreditation is awarded for a three-year period and it is necessary to meet the standards on an on-going basis. Pending final review by the Commission, the Authority received a preliminary score of 100% on the triennial ACA audit that was conducted in November 2018. The next ACA audit is expected in 2021.

During June 2018, the Authority was audited for triennial re-accreditation by the National Commission on Correctional Health Care (NCCHC). The Authority received a conditional score of 100% on all mandatory standards. Accreditation is pending review by the Commission. This accreditation originally received in June 1999 and re-accredited in 2002, 2005, 2008, 2011 and 2014 is awarded for compliance with NCCHC Standards for Health Services in Jails. The next NCCHC audit is expected to be in 2021.

The Authority was awarded a one year extension of the Mental Health Pilot Program Grant from July 1, 2018 through June 30, 2019 in the amount of \$600,008. This is an extension of the original Grant that was began January 1, 2017. The Authority was one of six jails awarded a grant by the Virginia Department of Criminal Justice Services. The initial amount awarded for the first 18 months of the Grant was \$939,435. With this funding the Authority started a program known as C.O.R.E (Community Oriented Re-Entry), to assist the mentally ill inmates serviced by the Hampton Roads Regional Jail. The Behavioral Health Services (BHS's) and Community Services Boards (CSB's) for all 5 member Jurisdictions are collaborating with the Authority to provide wrap-around mental health services to offenders while incarcerated and after they return to the community. This Pilot Program has allowed the Authority to be one of the first Jails in the Commonwealth of Virginia to devise a sustainable plan to deliver comprehensive mental health services to inmates with serious mental illness.

The Authority is also working with the CSB's and BHS's in its 5 member Jurisdictions to obtain a second grant which would provide discharge planning services to the mentally ill offenders at the Jail. This grant would be managed by the CSB's and BHS's.

Accounting System

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounting system of the Authority is organized and operated on an enterprise fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, fund balances, revenues and expenditures. Additional information concerning the Authority's accounting policies is provided in Note 2 of the Notes to Financial Statements.

Enterprise Fund Operations

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, together with deferred outflows and inflows associated with its activities are included on its Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The financial statements are presented using the modified accrual basis of accounting, whereby revenues are recognized when earned, measurable and available. Expenses are recognized when incurred. Operating revenues and expenses are presented in a manner similar to a private business, where costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

Independent Audit

Authority Bylaws require that the financial statements of the Authority be audited annually by a certified public accountant selected by the Authority's Board. An annual audit of the book of accounts, financial records, and transactions of all funds of the Authority has been performed by Robinson, Farmer, Cox, Associates for the fiscal year ended June 30, 2018.

The auditor's report, which includes their opinion on the financial statements of the Authority, is presented in this report on pages 1 through 3.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hampton Roads Regional Jail Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the nineteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This report reflects the strong financial policies enacted by the Authority's Board and the active participation of the Board's Finance Committee. The result is an Authority in stable financial position. The Board's support and cooperation in planning and conducting the financial operations of the Authority are appreciated and acknowledged.

Respectfully submitted,



David A. Hackworth
Superintendent



Deborah J. Hand
Director of Finance

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

**To the Members of
Hampton Roads Regional Jail Authority
Portsmouth, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of Hampton Roads Regional Jail Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hampton Roads Regional Jail Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hampton Roads Regional Jail Authority, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 5-9 and 81-92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Change in Accounting Principles

As described in Note 14 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Hampton Roads Regional Jail Authority's basic financial statements. The introductory section, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules are the responsibility of management and were derived from and relate 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of Hampton Roads Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hampton Road Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton Roads Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Fanner, Cox Associates

Charlottesville, Virginia

December 12, 2018

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HAMPTON ROADS REGIONAL JAIL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Hampton Roads Regional Jail Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statements, which follow in this section.

Financial Highlights

- The Authority's net position increased by \$1.46 million, as a result of this year's operating and non-operating financial activities. The GASB 75 restatement of \$2.402 million, resulted in a net decrease of approximately \$941 thousand, or 5.95%.
- Operating revenues decreased approximately \$887 thousand over FY2017 revenues or 2.09%, while operating expenses increased by \$620 thousand, or 1.61%. The decrease in operating revenues was the result of a decrease in Commonwealth reimbursements for out-of-compliance medical expenses. The increase in operating expenditures was due in part to an increase in personal services of \$900 thousand, or 6.98% and an increase in materials & supplies expense of \$184 thousand, or 32.68%.
- There was also an increase in the grant expenses of \$373 thousand, or 327.2% in FY2018.
- The Authority's investment in capital assets decreased by approximately \$2.7 million, or 8.08%.

Using This Annual Report

The Financial Section of the Comprehensive Annual Financial Report consists of Management's Discussion and Analysis and the basic financial statements including notes that explain in more detail some of the information in the financial statements. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements as well as management's examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority's budget and other management tools were used for this analysis.

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer both short and long-range financial information about its activities. The Statement of Net Position includes the nature and amounts of investments in resources (assets) and deferred outflows of resources and obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing the rate of return, evaluation of the capital structure and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses and Changes in Net Position contains all of the current year's revenue and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its per diem charges and other revenues, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the cash receipts and cash payments made by the Authority during the fiscal year. The statement reports cash receipts and cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and non-capital financing activities, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets. The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help to determine the financial health of the Authority. These two statements report the net position of the Authority and changes to it. The difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position, is one way to measure financial health or financial position. Over time, increases or decreases in Authority net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population, service area growth, changes in accounting standards and new or changed legislation.

The Authority's total net position decreased from last year by a net amount of approximately \$941 thousand. Our analysis below focuses on the change in net position and the resulting changes in assets and liabilities.

	<u>2018</u>	<u>2017</u>	<u>Amount Change</u>	<u>% Change</u>
(in thousands)				
Capital assets	\$ 31,039	\$ 33,766	\$ (2,727)	(8.08)%
Restricted assets	3,972	3,935	37	0.94%
Current assets	<u>22,834</u>	<u>20,091</u>	<u>2,743</u>	<u>13.65%</u>
Total assets	\$ <u>57,845</u>	\$ <u>57,792</u>	\$ <u>53</u>	<u>0.09%</u>
Deferred outflows of resources	\$ <u>3,592</u>	\$ <u>4,718</u>	\$ <u>(1,126)</u>	<u>(23.87)%</u>
Long-term liabilities	\$ 37,192	\$ 41,161	\$ (3,969)	(9.64)%
Current liabilities	<u>7,536</u>	<u>5,053</u>	<u>2,483</u>	<u>49.14%</u>
Total liabilities	\$ <u>44,728</u>	\$ <u>46,214</u>	\$ <u>(1,486)</u>	<u>(0.03)%</u>
Deferred inflows of resources	\$ <u>1,842</u>	\$ <u>487</u>	\$ <u>1,355</u>	<u>278.23%</u>
Net investment in capital assets	\$ 489	\$ 617	\$ (128)	(20.75)%
Restricted	3,893	3,856	37	0.96%
Unrestricted	<u>10,485</u>	<u>11,335</u>	<u>(850)</u>	<u>(7.50)%</u>
Total net position	\$ <u><u>14,867</u></u>	\$ <u><u>15,808</u></u>	\$ <u><u>(941)</u></u>	<u><u>(5.95)%</u></u>

Note: The Authority restated FY17 Net Position by \$2.402 million due to GASB 75 implementation.

Financial Analysis (Continued)

The changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position:

(in thousands)	2018	2017	Amount Change	% Change
Operating revenues				
Commonwealth of Virginia per diems, net	\$ 2,624	\$ 2,672	\$ (48)	(1.80)%
Commonwealth of Virginia reimbursements	11,141	11,490	(349)	(3.04)%
Member per diems	26,798	26,246	552	2.10%
New Member Buy-In	-	1,000	(1,000)	(100.00)%
Telephone revenue	379	433	(54)	(12.47)%
Inmates commissary sales commissions	381	384	(3)	(0.78)%
Inmates keep fees	128	128	-	0.00%
Employee canteen sales commissions	3	4	(1)	(25.00)%
Miscellaneous	35	19	16	84.2%
Total operating revenues	<u>\$ 41,489</u>	<u>\$ 42,376</u>	<u>\$ (887)</u>	<u>(2.09)%</u>
Nonoperating revenues				
Investment income	\$ 143	\$ 23	\$ 120	521.7%
Behavioral Health Grant	515	132	383	74.37%
Gain (loss) on disposal of capital assets	<u>(196)</u>	<u>4</u>	<u>(200)</u>	<u>(5000.00)%</u>
Total revenues	<u>\$ 41,951</u>	<u>\$ 42,535</u>	<u>\$ (584)</u>	<u>(1.37)%</u>
Operating expenses				
Jail operations				
Personal services	\$ 13,787	\$ 12,887	\$ 900	6.98%
Employee benefits	4,748	5,277	(529)	(10.02)%
Medical services	10,677	11,382	(705)	(6.19)%
Other purchased services	2,322	2,503	(181)	(7.23)%
Other charges	2,658	2,502	156	6.24%
Materials and supplies	747	563	184	32.7%
Noncapital equipment	222	220	2	0.91%
Inmates commissary	375	260	115	44.23%
Employees canteen	3	5	(2)	(40.00)%
Behavioral Health Grant	487	114	373	327.19%
Depreciation	<u>3,191</u>	<u>2,884</u>	<u>307</u>	<u>10.64%</u>
Total operating expenses	<u>\$ 39,217</u>	<u>\$ 38,597</u>	<u>\$ 620</u>	<u>1.61%</u>
Nonoperating expenses				
Interest and fiscal charges	<u>\$ 1,275</u>	<u>\$ 1,332</u>	<u>\$ (57)</u>	<u>(4.28)%</u>
Total expenses	<u>\$ 40,492</u>	<u>\$ 39,929</u>	<u>\$ 563</u>	<u>1.41%</u>
Change in net position	\$ 1,459	\$ 2,606	\$ (1,147)	(44.01)%
Beginning net position	<u>15,808</u>	<u>13,202</u>	<u>2,606</u>	<u>19.74%</u>
Ending net position	<u>\$ 17,267</u>	<u>\$ 15,808</u>	<u>\$ 1,459</u>	<u>9.23%</u>
Prior period adjustments	<u>(2,402)</u>	<u>-</u>	<u>(2,402)</u>	<u>0.0%</u>
Adjusted Ending net position	<u><u>\$ 14,865</u></u>	<u><u>\$ 15,808</u></u>	<u><u>\$ (942)</u></u>	<u><u>(5.96)%</u></u>

Financial Analysis (Continued)

Operating revenues decreased by 2.09% in FY2018 compared to FY2017. Member per diems increased \$552 thousand or 2.1% in FY2018. This was primarily due to a \$1 increase in the member per diem from \$64 to \$65. Commonwealth per diems decreased approximately 1.80%. Total revenue decreased by \$584 thousand. Increased interest rates and investments with higher yields resulted in a 521% increase in Investment income for FY2018.

Operating expenses increased 1.61% from FY2017 to FY2018 due primarily to a 6.98% increase in personal services, a 6.24% increase in other charges and a 32.7% increase in materials & supplies.

FY2018 was the first full year of the mental health pilot grant. As a result, grant expenses increased by 327.19%, or \$373,000, compared to FY2017.

There are three categories of net position: Net Investment in Capital Assets, Restricted for Debt Service and Unrestricted. The amounts set aside for Operating Reserve and Capital Repair and Replacement are reported in the combined total of Unrestricted.

Capital Assets and Debt Administration

Capital assets

At the end of 2018, the Authority had approximately \$83 million invested in capital assets comprised of the land, building, furnishings and equipment of the regional jail. Also included are capitalized interest and pre-opening costs representing interest and other costs capitalized during the construction period. Net Capital assets decreased by approximately \$2.7 million during the year due to depreciation expense of \$3.2 million.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, as of June 30, 2018 and 2017 (in thousands).

	<u>2018</u>	<u>2017</u>
Land	\$ 2,032	\$ 2,032
Buildings and improvements	64,713	64,732
Furnishings and equipment	2,739	2,669
Capitalized interest	9,283	9,283
Pre-opening costs	3,243	3,242
Automotive equipment	866	867
Total capital assets	<u>82,876</u>	<u>82,825</u>
Accumulated depreciation	<u>(51,837)</u>	<u>(49,059)</u>
Net capital assets	<u>\$ 31,039</u>	<u>\$ 33,766</u>

Capital Assets and Debt Administration (Continued)

Capital assets (Continued)

The following table summarizes the changes in capital assets. These changes are presented in a more detailed schedule in *Note 4*.

	<u>(in thousands)</u>
Balance at July 1, 2017	\$ 33,766
Additions	667
Disposals	(617)
Depreciation	<u>(2,777)</u>
Balance at June 30, 2018	<u>\$ 31,039</u>

Debt

At year-end, the Authority had a total par of \$31,560,000 in revenue bonds outstanding.

In March, 2013, the Authority issued \$24,700,000 in Series 2013B Taxable Regional Jail Facility Bonds to refinance most of the remaining portion of the Series 2004 Refunding Revenue Bonds. As this is a second refunding of a portion of the Series 1996 Bonds, they are taxable. From this transaction, the Authority also issued \$3,345,000 in Series 2013A Tax-Exempt (new money) Revenue Bonds for the specific purpose of capital improvements.

In May, 2015, the Authority issued \$13,005,000 in Series 2015 Refunding Revenue Bonds through the Virginia Resources Authority Virginia Pooled Financing Program. The proceeds from the sale were used to defease the 2025 through 2028 maturities of the Series 2009 Bonds. This is an advance refunding. The funds will be held in escrow until the VRA-level bonds can be called November 1, 2019.

There have been no changes to the Authority's credit rating in FY 2018. Additional information on the bonds is contained in *Note 5*.

Contacting the Authority's Financial Management

This financial report is designed to provide our clients 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 Finance at 2690 Elmhurst Lane, Portsmouth, Virginia 23701.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 15,015,315
Investments	3,379,709
Accounts receivable	355
Accrued interest receivable	19,808
Due from other governments	4,062,014
Inventories of supplies	172,773
Prepaid expenses	8,199
Cash held for inmate trust-restricted	175,481
Total current assets	<u>\$ 22,833,654</u>
Long-term assets:	
Restricted assets:	
Cash held for capital project	\$ 79,010
Investments held by trustee - DSRF	2,701,000
Cash held by trustee - DSRF	1,191,925
Total restricted assets	<u>\$ 3,971,935</u>
Capital assets:	
Land	\$ 2,031,926
Buildings and improvements	64,713,114
Capitalized interest	9,282,649
Pre-opening costs	3,242,516
Furnishings and equipment	2,739,292
Automotive equipment	866,265
Subtotal	<u>\$ 82,875,762</u>
Less - accumulated depreciation	<u>(51,836,894)</u>
Capital assets, net	<u>\$ 31,038,868</u>
Total long-term assets	<u>\$ 35,010,803</u>
Total assets	<u>\$ 57,844,457</u>
Deferred outflows of resources:	
Deferred sources of outflows - 2013B & 2015A refunding bonds	\$ 2,071,927
Deferred sources of outflows - Pension with VRS	1,456,158
Deferred sources of outflows - OPEB	63,992
Total deferred outflows of resources	<u>\$ 3,592,078</u>
Total assets and deferred outflows of resources	<u>\$ 61,436,534</u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2018 (Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 2,990,372
Accrued payroll liabilities	582,869
Accrued Interest Payable	149,383
Unearned revenue	281,103
Compensated absences - current	748,053
Bonds payable - current	2,755,000
Cash held for inmate trust	28,970
Total current liabilities	<u>\$ 7,535,750</u>
Long-term liabilities:	
Compensated absences	\$ 612,043
Net Pension Liabilities	1,737,713
Net OPEB liabilities	4,449,019
Bonds payable, net of issuance premiums	30,393,523
Total long-term liabilities	<u>\$ 37,192,298</u>
Total liabilities	<u>\$ 44,728,048</u>
Deferred inflows of resources:	
Deferred sources of inflows - Pension with VRS	\$ 1,619,730
Deferred sources of inflows - OPEB	<u>221,944</u>
Total deferred inflows of resources	<u>\$ 1,841,674</u>
Net position:	
Net investment in capital assets	\$ 489,069
Restricted for:	
Debt service reserve	3,892,925
Unrestricted	<u>10,484,817</u>
Total net position	<u>\$ 14,866,811</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 61,436,534</u>

The accompanying notes are an integral part of these financial statements.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended June 30, 2018

Operating revenues:	
Commonwealth of Virginia per diems, net of recoveries	\$ 2,623,975
Commonwealth of Virginia reimbursements	10,637,496
Commonwealth of Virginia - Out of Compliance Medical	503,852
Member per diems	26,797,828
Telephone revenue	379,082
Inmates commissary sales commissions	380,730
Inmates keep fees	127,934
Employees canteen sales commissions	2,895
USDJ OJP Bulletproof Vest	2,218
Miscellaneous revenues	<u>33,188</u>
Total operating revenues	<u>\$ 41,489,198</u>
Operating expenses:	
Jail operations:	
Personal services	\$ 13,787,268
Employee benefits	4,748,370
Medical services	10,676,511
Other purchased services	2,322,422
Other charges	2,658,233
Materials and supplies	747,073
Noncapital equipment	221,480
Inmates commissary	374,606
Employees canteen	2,948
Behavioral Health Grant	487,352
Depreciation and amortization	<u>3,191,086</u>
Total operating expenses	<u>\$ 39,217,349</u>
Operating income	<u>\$ 2,271,850</u>
Nonoperating revenues (expenses):	
Behavioral Health Grant	\$ 514,935
Investment income	143,201
Loss on disposal of capital assets	(195,510)
Interest and fiscal charges	<u>(1,274,662)</u>
Total nonoperating revenues (expenses)	<u>\$ (812,036)</u>
Change in net position	\$ 1,459,814
Total net position - beginning of year, as adjusted	<u>\$ 13,406,997</u>
Total net position - end of year	<u><u>\$ 14,866,811</u></u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Fiscal Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from clients	\$ 43,109,634
Payments to suppliers	(15,575,051)
Payments to and for employees	(18,900,744)
Other operating revenues	949,857
Other payments	<u>(378,069)</u>
Net cash provided by operating activities	\$ <u>9,205,627</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (667,427)
Repayment of debt	(2,710,000)
Interest and fiscal charges paid	(1,158,622)
Sale of capital assets	<u>7,521</u>
Net cash used for capital and related financing activities	\$ <u>(4,528,528)</u>
Cash flows from investing activities:	
Interest received	\$ 138,922
Purchase of investments	(2,704,693)
Net cash provided by investing activities	\$ <u>(2,565,771)</u>
Net increase in cash and cash equivalents	\$ 2,111,328
Cash and cash equivalents at beginning of year	<u>17,730,112</u>
Cash and cash equivalents at end of year	\$ <u>19,841,440</u>
Reconciliation of operating income to net cash from operating activities:	
Operating Income	\$ <u>2,786,785</u>
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation and amortization	\$ 3,191,086
Change in operating assets and deferred outflows of resources:	
Accounts receivable	69
Due from other governments	2,031,548
Inventories of supplies	17,847
Prepaid expenses	2,553
Deferred outflows of resources - pension with VRS	898,229
Deferred outflows of resources - OPEB	(2,992)
Change in operating liabilities and deferred inflows of resources:	
Accounts payable	1,517,618
Accrued payroll liabilities	134,028
Compensated absences	(168,199)
Net pension liability	(2,697,335)
Net OPEB liabilities	116,945
Deferred inflow of resources - pension with VRS	1,132,274
Deferred inflow of resources - OPEB	221,944
Unearned revenues	23,741
Inmates' account balances	<u>(515)</u>
Total adjustments	\$ <u>6,418,841</u>
Net cash provided by operating activities	\$ <u>9,205,627</u>
Noncash investing activities:	
Decrease in fair value of investments - Debt Service Reserve Fund	\$ <u>(3,104)</u>
Noncash financing activities:	
Change in issuance premiums (including amortization)	\$ (180,183)
Change in deferred outflows of resources (losses on refundings)	<u>292,023</u>
Net change from noncash financing activities	\$ <u>108,736</u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018

Note 1—Description of the Reporting Entity:

The Hampton Roads Regional Jail Authority (Authority) is a public corporate instrumentality of the Commonwealth of Virginia, created as of December 14, 1993, by the cities of Hampton, Newport News, Norfolk and Portsmouth, as authorized by Title 53.1, Chapter 3, Section 53.1-95.2 *et seq.*, *Code of Virginia*, (1950) as amended. Beginning July 1, 2014, the City of Chesapeake entered into an agreement with the Authority to become a full member upon adoption of the agreement by all five city councils. This was accomplished by approval of a revised and restated Service Agreement by all five governing bodies, effective August 26, 2014. The Authority is governed by a fifteen-member board, consisting of three members from each city, namely, the sheriff, the city manager and one member of city council (an alternate to each board member may be appointed). The Authority is an intergovernmental joint venture and it meets the definition of a stand-alone governmental entity for financial reporting in accordance with Governmental Accounting Standards Board (GASB) Accounting Standards Codifications (ASC) 2100, *Defining the Financial Reporting Entity*. The purpose of the Authority is to develop, construct, equip, maintain and operate a regional jail. No one locality contributes more than 50 percent of the Authority's funding or has responsibility over its operations.

Hampton Roads Regional Jail Authority opened on March 16, 1998. The regional jail is designed to accommodate both pre-trial and sentenced medium-maximum security male, female and certified juvenile inmates, inmates with special needs or those who require special management, and other offenders who would otherwise be incarcerated in the cities' jails. The facility provides separate inmate housing areas of a manageable size, which are under continuous staff supervision and control. This design enables a staff efficient operation with a mix of uniformed, civilian and contract personnel totaling approximately 350 full-time positions.

Construction of the 875-bed regional jail facility on a 38-acre site located at 2690 Elmhurst Lane, Portsmouth, Virginia was completed in December 1998. The Virginia Board of Corrections approved and paid state reimbursement for 50% of eligible construction costs in the amount of \$31,094,207, plus applicable interest.

Note 2—Summary of Significant Accounting Policies:

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with generally accepted accounting principles. The preparation of the Authority's financial statements is governed by the guidance of the Governmental Accounting Standards Board (GASB). These statements are prepared on an enterprise fund basis and present the Authority's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

Basis of Accounting (Continued)

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, and deferred outflows and inflows of resources associated with the regional jail's activities are included on its Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. However, inmate activity is recognized on a cash basis. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired.

Inventories

The inventories reflected in the financial statements consist principally of materials and supplies held for future consumption and are valued at cost using the first-in, first-out (FIFO) basis.

Budget

The Authority operates in accordance with an annual budget, prepared on a modified accrual basis, which is adopted by the Authority for each fiscal year. The formal level of budgetary control is at the object class level, i.e. category level; however, management control is exercised at the sub-object level. The Superintendent may transfer amounts within categories. Additions to the budget must be approved by the Authority's Board. All unobligated operating budget items lapse at the end of the fiscal year.

Investments

Investments, which consist primarily of U.S. government obligations including agencies, are reported at fair value. Money Market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investments contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses and disclosures of contingent assets and liabilities reported for the period. Accordingly, actual results could differ from those estimates and assumptions.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

Capital Assets

Capital assets purchased or constructed are stated at cost, including interest cost on funds borrowed to finance the construction of major capital items. The capitalization threshold is \$5,000. Capital assets are depreciated using the straight-line method with a half-year of depreciation taken for additions and disposals over the below estimated useful lives. Contributed capital assets are recorded at acquisition value at the date of contribution.

Buildings and improvements	30 years
Capitalized interest	30 years
Pre-opening costs	30 years
Furnishings and equipment	5-15 years
Automotive equipment	5 years

Depreciation recognized on capital assets is charged as an expense against operations.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has three types of items that qualify for reporting in this category. The first type is the deferred charges on refunding reported in the statement of net position. Deferred charges on refunding result 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 new debt issue or the refunded debt. The second item is comprised of contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date, which will be recognized as a reduction of the net pension and OPEB liabilities next fiscal year. The third item is comprised of certain items related to the measurement of the net pension liability and net OPEB liability. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on plan investments and OPEB actuarial valuation. For more detailed information on these items, reference the pension note and OPEB notes.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two types of items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, changes in proportion and the net difference between projected and actual earnings on pension plan investments and OPEB actuarial valuation. For more detailed information on these items, reference the pension and OPEB notes.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 2–Summary of Significant Accounting Policies: (Continued)

Revenue Recognition

Operating revenues are recognized as revenue when earned, measurable and available. Per diem charges and reimbursements from the Commonwealth of Virginia are billed monthly. Unbilled revenues through June 30 of each fiscal year are accrued at year-end.

Operating and Non-operating Revenue and Expenses Recognition

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with the Authority's principal service of operating a regional jail. The majority of operating revenues are from jail operations, but other associated miscellaneous services and charges are also included. Revenues and expenses not meeting the operating definition are reported as non-operating. These non-operating revenues and expenses consist mainly of investment income, grants and interest expense.

Employee Benefits

All employees earn annual leave for each full month of employment. The amount of leave earned is based on the employee's years of service and is accrued and expensed as employees earn the right to these benefits. The maximum annual leave an employee may accumulate at year-end is 480 hours. If an employee gives a two week notice prior to terminating employment and leaves in good standing, the employee has the right to be paid up to the maximum of 480 hours as terminal leave.

In accordance with the provisions of the Fair Labor Standards Act, non-exempt employees are paid overtime on a current basis.

Bonds

Bonds payable are reported net of the applicable bond premium or discount. Premiums and losses on bond refunding's are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. This method of amortization approximates the effective interest method.

Pensions

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 2—Summary of Significant Accounting Policies: (Concluded)

Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Political Subdivision Employee Virginia Local Disability Program (VLDP)

For purposes of measuring the net VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP; and the additions to/deductions from the VRS Political Subdivision Employee VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net Position Flow Assumption

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

Reclassification

Certain amounts in previously issued financial statements have been restated to conform to the current year's classifications.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 3—Deposits and Investments:

Deposits

At year-end, the carrying amount of the Authority's deposits with banks and savings institutions was \$15,189,766 and the bank balance was \$15,713,257. All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et. seq. of the *Code of Virginia* (1950), as amended, or covered by The Federal Deposit Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral levels ranging from 50%-130% of the deposit balances in excess of FDIC coverage. The collateral instruments must be held by a third-party custodian for the benefit of the Commonwealth of Virginia. Pursuant to Virginia Code qualified public depositories have the option to collateralize public deposits at an individually assigned level ranging between 50% - 100% on a cross-collateralized basis (Pooled Method) or can opt-out of the cross-collateralization (Dedicated Method) provision, by pledging collateral instruments with an individually assigned value between 105% - 130% and submitting weekly reports to the State Treasury Board. In either case the State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. SunTrust Bank selected the Dedicated Method of collateralization and has a current collateral level of 110% pursuant to the guidelines.

Investment Policy

In accordance with the Code of Virginia (1950), as amended, and other applicable laws, and regulations, the Authority's investment policy (policy) permits investments in United States government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the policy and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, an amortized cost basis portfolio).

The policy establishes limitations on the holdings in "prime quality" commercial paper and "high quality" corporate notes. Not more than thirty-five percent (35%) of the portfolio may be invested in commercial paper and corporate notes at any time, and not more than five percent (5%) may be invested in commercial paper of any one issuing corporation.

In accordance with the Authority's Master Bond Indenture, the required Debt Service Reserve Fund is \$3,892,925. The Authority invested \$2,701,000 in US Treasury Notes and \$1,191,925 is invested in the First American Government Obligation Fund-US Bank.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 3—Deposits and Investments: (Continued)

Credit Risk

As required by state statute, the policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s or Fitch Investors Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

As of June 30, 2018, 63% was invested in “AAAm” rated money market funds and 37% is invested in “AAA” rated US Treasury Notes (including LGIP).

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority’s policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase. The average maturity of the investment portfolio may not exceed 3 years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>
Virginia LGIP	\$ 3,379,709	\$ 3,379,709
Treasury Note	2,701,000	2,701,000
Total	<u>\$ 6,080,709</u>	<u>\$ 6,080,709</u>

External Investment Pool

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 3—Deposits and Investments: (Concluded)

Fair Value Measurements

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

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

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

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

Investment Type	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Treasury Note	\$ 2,701,000	\$ -	\$ -
First American Government Obligation	1,191,922	-	-
Total Investments	<u>\$ 3,892,922</u>	<u>\$ -</u>	<u>\$ -</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 4—Capital Assets:

A summary of changes in capital assets follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Non-depreciable Capital Assets</u>				
Land	\$ 2,031,926	\$ -	\$ -	\$ 2,031,926
Total non-depreciable capital assets	\$ 2,031,926	\$ -	\$ -	\$ 2,031,926
<u>Depreciable Capital Assets</u>				
Buildings and improvements	\$ 64,732,441	\$ 407,722	(427,049)	\$ 64,713,113
Capitalized interest	9,282,649	-	-	9,282,649
Pre-opening costs	3,242,516	-	-	3,242,516
Furnishings and equipment	2,668,739	166,720	(96,166)	2,739,292
Automotive equipment	866,723	92,985	(93,443)	866,265
Total depreciable capital assets	\$ 80,793,068	\$ 667,427	\$ (616,659)	\$ 80,843,835
Less accumulated depreciation				
Buildings and improvements	\$ 38,423,642	\$ 2,605,969	(224,018)	\$ 40,805,593
Capitalized interest	5,934,953	309,112	-	6,244,066
Pre-opening costs	2,067,109	107,976	-	2,175,084
Furnishings and equipment	2,101,126	77,993	(96,166)	2,082,952
Automotive equipment	532,605	90,036	(93,443)	529,198
Accumulated depreciation	\$ 49,059,435	\$ 3,191,086	\$ (413,628)	\$ 51,836,893
Total depreciable capital assets, net	\$ 31,733,633	\$ (2,523,659)	\$ (203,031)	\$ 29,006,943
Capital assets, net	\$ 33,765,559	\$ (2,523,659)	\$ (203,031)	\$ 31,038,868

Capitalized interest consists of bond issuance expenditures and interest expenditures incurred prior to the opening of the regional jail. Pre-opening costs consists of administrative expenditures and materials and supplies incurred prior to the opening of the regional jail.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 5—Bonds Payable:

On May 28, 2015, the Authority issued \$13,005,000 of Series 2015 Refunding Revenue Bonds through the Virginia Resources Authority Virginia Pooled Financing Program with a true interest cost of 2.948804% for an advance refund of the remaining Series 2009 bonds in the amount of \$12,975,000. The refunding was undertaken to reduce total future debt payments. The transaction resulted in an annual cash flow savings ranging from \$45,077 to \$48,465. The refunding bonds sold at a premium of \$2,034,810 which is being amortized over the refunded debt's life which is the same as the life of the new debt. The loss on refunding of \$1,464,974 has been deferred and is being amortized over the life of the debt. The Series 2015 Refunding Revenue Bonds were not issued as tax-exempt bonds and are not subject to arbitrage.

On March 27, 2013 the Authority issued \$3,345,000 of Series 2013A Tax-Exempt Revenue Bonds. The proceeds are to be used to fund new money projects for jail facility improvements. Also, on March 27, 2013 the Authority issued \$24,700,000 Refunding Revenue Bonds, Taxable Series 2013B. The Series 2013B bonds generated net present value savings of \$2,049,823 or 8.9% of the refunded bonds. The proceeds of the 2013B Bonds were used to refund a portion of the outstanding principal balance of the Authority's Revenue Bonds, Series 2004. The remaining principle balance of the Series 2004 Bonds as of March 27, 2013 was \$3,430,000. The True Interest Cost of the 2013A Tax-Exempt Revenue Bonds is 2.35% and the True Interest Cost of the 2013B Refunding Revenue Bonds is 2.61%. The bonds sold at a premium of \$108,338 which has been deferred and is being amortized over the life of the new debt. The loss on refunding of \$1,952,269 has been deferred and is being amortized over the life of the refunded debt. The Series 2013B Taxable Refunding Revenue Bonds are federally taxable and feature a Make-Whole Call provision. The Authority has agreed to comply with the timely payment of any arbitrage rebate amounts with respect to the Series 2013A Bonds. Arbitrage was calculated on the Series 2013A bonds and no amount due at this time.

With the Series 2009 Bond now fully refunded, the Authority has three Series of Bonds Outstanding, Series 2013A Bonds, Series 2013B Bonds and the Series 2015 Bonds for a total outstanding par of \$31,560,000.

Following is a summary of changes in bonds payable for the year ended June 30, 2018.

	Balance			Balance	Amounts
	July 1, 2017	Additions	Deletions	June 30, 2018	Due Within
					One Year
Series 2013A	\$ 2,715,000	\$ -	\$ 220,000	\$ 2,495,000	\$ 225,000
Series 2013B	18,605,000	-	2,485,000	16,120,000	2,525,000
Series 2015A	12,950,000	-	5,000	12,945,000	5,000
Subtotal	\$ 34,270,000	\$ -	\$ 2,710,000	\$ 31,560,000	\$ 2,755,000
Issuance Premiums	\$ 1,768,706	\$ -	\$ 180,183	\$ 1,588,523	\$ -
Total	\$ 36,038,706	\$ -	\$ 2,890,183	\$ 33,148,523	\$ 2,755,000

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 5–Bonds Payable: (Concluded)

The annual requirements to amortize to maturity all long-term debt with specified maturities that is outstanding as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,755,000	\$ 1,109,909	\$ 3,864,909
2020	2,815,000	1,052,329	3,867,329
2021	2,875,000	987,049	3,862,049
2022	2,950,000	911,547	3,861,547
2023	3,040,000	823,591	3,863,591
2024-28	13,690,000	2,512,807	16,202,807
2029	3,435,000	88,022	3,523,022
	<u>\$ 31,560,000</u>	<u>\$ 7,485,254</u>	<u>\$ 39,045,254</u>

The Authority was in compliance with all significant financial covenants in the bond indentures at June 30, 2018. The Revenue Covenant requires that net revenue must be 1.10 times the senior debt service for the fiscal year. The Authority has ample cash reserves to meet the debt service requirements and has made all required debt service payments timely. For FY2018 the Authority’s net revenue was 2.62 times the senior debt service.

Note 6–Compensated Absences:

The liability for vested annual and holiday leave at June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Amounts Due Within One Year
Annual leave	\$ 1,528,295	\$ 1,006,658	(1,195,375)	\$ 1,339,578	\$ 736,769
Holiday leave	-	46,429	(25,912)	20,517	11,284
Total compensated absences	<u>\$ 1,528,295</u>	<u>\$ 1,053,087</u>	<u>\$ (1,221,287)</u>	<u>\$ 1,360,096</u>	<u>\$ 748,053</u>

* Holiday accrual added with the conversion to the new accounting system.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7–Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Hampton Roads Regional Jail Authority are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. 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 set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • 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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the 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.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> 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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p> <p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Plan Description: (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>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.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	60
Inactive members:	
Vested inactive members	21
Non-vested inactive members	101
Inactive members active elsewhere in VRS	<u>97</u>
Total inactive members	219
Active members	<u>277</u>
Total covered employees	<u><u>556</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Hampton Roads Regional Jail Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 12.42% 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 Hampton Roads Regional Jail Authority were \$1,456,158 and \$1,455,626 for the years ended June 30, 2018 and June 30, 2017, respectively.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Net Pension Liability

The Hampton Roads Regional Jail Authority's net pension liability 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 roll-forward to the measurement date of June 30 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Hampton Roads Regional Jail Authority'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	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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

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

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Hampton Roads Regional Jail Authority'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	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and 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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 52.5%.

Discount Rate

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 7—Pension Plan: (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 37,877,575	\$ 33,442,527	\$ 4,435,048
Changes for the year:			
Service cost	\$ 1,915,562	\$ -	\$ 1,915,562
Interest	2,600,374	-	2,600,374
Differences between expected and actual experience	(253,160)	-	(253,160)
Assumption changes	(793,296)	-	(793,296)
Contributions - employer	-	1,456,290	(1,456,290)
Contributions - employee	-	604,885	(604,885)
Net investment income	-	4,132,170	(4,132,170)
Benefit payments, including refunds of employee contributions	(1,458,745)	(1,458,745)	-
Administrative expenses	-	(22,802)	22,802
Other changes	-	(3,728)	3,728
Net changes	<u>\$ 2,010,735</u>	<u>\$ 4,708,070</u>	<u>\$ (2,697,335)</u>
Balances at June 30, 2017	<u>\$ 39,888,310</u>	<u>\$ 38,150,597</u>	<u>\$ 1,737,713</u>

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Hampton Roads Regional Jail Authority Net Pension Liability (Asset)	\$ 7,557,521	\$ 1,737,713	\$ (3,093,813)

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 7—Pension Plan: (Concluded)

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

For the year ended June 30, 2018, the Hampton Roads Regional Jail Authority recognized pension expense of \$789,990. At June 30, 2018, the Hampton Roads Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 459,255
Change in assumptions	-	591,952
Net difference between projected and actual earnings on pension plan investments	-	568,523
Employer contributions subsequent to the measurement date	<u>1,456,158</u>	<u>-</u>
Total	<u>\$ 1,456,158</u>	<u>\$ 1,619,730</u>

\$1,456,158 reported as deferred outflows of resources related to pensions resulting from the Hampton Roads Regional Jail Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30

2019	\$ (786,459)
2020	(203,437)
2021	(275,626)
2022	(354,208)
2023	-
Thereafter	-

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 8—Other Post-employment Benefits (OPEB):

Plan Description

The Authority provides post-retirement health care benefits as a single employer administered through The Local Choice, an agent multi-employer health plan. The Authority Board is responsible for establishing and amending plan benefits and the funding policy. The retiree pays all costs of health insurance benefits. Once the retiree reaches age 65, they are eligible for the Local Choice Medicare supplemental insurance. The retiree is responsible for all costs associated with the Medicare supplemental insurance.

Eligibility

Participants in the Hampton Roads Regional Jail Authority must meet the eligibility requirements based on service earned with the Authority to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are eligible for the health benefits through COBRA only. Participants must meet one of the following requirements to be eligible for health benefits:

- Attained the age of 55 with 5 years of service.
- Attained the age of 50 with 10 years of service.

In addition, employees must meet one of the following requirements to be eligible for retirement through Virginia Retirement System.

General Employees Prior Plan – All Plan 1 Members vested as of January 1, 2013:

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

General Employees Current Plan – All Plan 1 Members not vested as of January 1, 2013 and Members hired on or after July 1, 2010 (Plan 2):

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Public Safety Employees:

- Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

Health Plan Benefits

Coverage is for the retiree and eligible spouses/dependents. The monthly premiums below are for the year beginning July 1, 2018. Dental and vision are included with both the Key Advantage Expanded (PPO) and the Key Advantage 500 (PPO) medical option premiums. Benefits end at the later of the retiree's or spouse's death. Neither dental nor vision is offered to retirees who are 65 or older.

<u>Plan</u>	<u>Retiree</u>	<u>Retiree and Dependent/Spouse</u>	<u>Family</u>
Key Advantage Expanded (PPO)	\$872	\$1,613	\$2,354
Key Advantage 500 (PPO)	\$724	\$1,339	\$1,955
High Deductible	\$576	\$1,066	\$1,555
Advantage 65 (PPO)	\$201	\$402	N/A

Retiree and Employer Contributions

- Non-Medicare Eligible retirees and spouses (Under Age 65) – Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage.
- Medicare Eligible retirees and spouses (Age 65+) – Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage.

The Authority offers health and dental coverage to eligible employees and their eligible health plan benefits spouses/dependents. Retirees under the age of 65 are eligible to choose health care coverage using the same health care plans and premium structures available to active employees. Currently a retiree may choose one of the following medical options:

- Key Advantage Expanded (PPO)
- Key Advantage 500 (PPO)
- High Deductible Health Plan

Retirees age 65 and older may only choose the Advantage 65 (PPO). Medicare supplemental benefits end at the later of the retiree's or spouse's death. Neither dental nor vision is offered to retirees who are 65 or older. Benefits are currently managed on a pay-as-you-go basis rather than through the use of an irrevocable trust and a separate report of the OPEB Plan is not issued.

There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium. If an employee dies prior to retirement and was eligible for retiree medical benefits, the employee's spouse may continue medical coverage through COBRA only.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

Plan Membership

At June 30, 2018 (measurement date), the following employees were covered by the benefit terms:

Total Active employees with coverage	225
Total retirees with coverage	2
Total retirees without coverage	<u>21</u>
Total	248

Funding Policy:

The Authority does not pre-fund OPEB. Instead, it pays benefits directly from general assets on a pay-as-you-go basis.

Total OPEB liability

The Authority's Total OPEB liability was measured as of June 30, 2018. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB Liability	\$ 3,177,074	\$ 3,483,019
Covered Payroll	-	10,611,500
Total OPEB Liability as a % of Covered Payroll	-	32.82%

Actuarial Assumptions

The following actuarial methods and assumptions were used in the Authority's June 30, 2016 OPEB valuation.

Inflation	2.5%	2.5%
Salary Increases, Including Inflation		
Non-Law Officers	3.5%-5.35%	3.5%-5.35%
Law Officers	3.5%-4.75%	3.5%-4.75%
Discount Rate	3.50%	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.50%	3.87%

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

Actuarial Assumptions (Continued)

The discount rates are based on the Bond Buyer 20-year Bond GO Index as of their respective measurement dates.

	June 30, 2017	June 30, 2018
Valuation Timing	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2018
Inflation	2.5%	2.5%
Salary Increases, Including Inflation		
Non-Law Officers	3.5% - 5.35%	3.5% - 5.35%
Law Officers	3.5% - 4.75%	3.5% - 4.75%
Discount Rate	3.50%	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.50%	3.87%
Age-Related Claims Cost	Blended premium rate for active employees and retirees under age 65	Blended premium rate for active employees and retirees under age 65
Healthcare Trend Rates	Medical trend rates consistent with information from the Getzen Trend Model. 7.10% in 2017, grading to an ultimate rate of 4.10% in 2012.	Medical trend rates consistent with information from the Getzen Trend Model. 7.10% in 2017, grading to an ultimate rate of 4.10% in 2012.
Retirement	Eligible retirees contribute 100% of the premium cost for retirees and spouses/dependent coverage	Eligible retirees contribute 100% of the premium cost for retirees and spouses/dependent coverage
Disability	There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium.	There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium.
Mortality Rates:		
Pre-Retirement	RP-2000 Employee Mortality projected to 2020: Males set forward 2 yrs (5 Yrs for Public Safety Employees), Females set back 3 years	RP-2000 Employee Mortality projected to 2020: Males set forward 2 yrs (5 Yrs for Public Safety Employees), Females set back 3 years
Post-Retirement	RP-2000 Combined Healthy Mortality projected to 2020, Females set back 1 year	RP-2000 Combined Healthy Mortality projected to 2020, Females set back 1 year
Post-Disablement	RP-2000 Disabled Life mortality - Males set back 3 years and no provision for future mortality improvement	RP-2000 Disabled Life mortality - Males set back 3 years and no provision for future mortality improvement
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay	Entry Age Normal, Level Percentage of Pay

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 8—Other Post-employment Benefits (OPEB): (Continued)

Actuarial Assumptions (Continued)

The demographic assumptions used in the calculations are predominantly consistent with those used in the June 30, 2015 valuation of the Virginia Retirement System General Employees Prior Plan (Plan 1), Appendix A; General Employees Current Plan (Plan 2) and Hybrid Plan, Appendix B; Public Safety Employees, Appendix C).

Changes in Total OPEB Liability

	Increase or (Decrease)
Balances at June 30, 2017	\$ 3,177,074
Changes for the year:	
Service cost	\$ 352,597
Interest on Total OPEB Liability	122,542
Effect of Plan Changes	-
Effect of Economic/Demographic Gains or Losses	-
Effect of Assumptions Changes or Inputs	(111,785)
Benefit payments	(57,409)
Balance at June 30, 2017	<u>\$ 3,483,019</u>

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

The following presents the Authority's Total OPEB Liability, calculated using the discount rate of 3.87%. It also presents what the Authority's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.87%) and one percentage point higher than (4.87%) the current rate.

	Rate		
	1% Decrease	Current Discount	1% Increase
	2.87%	3.87%	4.87%
Hampton Roads Regional Jail Authority			
Total OPEB Liability	\$ 3,798,134	\$ 3,483,019	\$ 3,197,705

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 8—Other Post-employment Benefits (OPEB): (Continued)

Sensitivity of the Total OPEB Liability to Changes in the HealthCare Cost Trend Rate.

The following presents the Authority’s Total OPEB Liability, calculated using the current healthcare trend rates. It also presents what the Authority’s Total OPEB Liability would be if it were calculated using healthcare trend rates that are one percentage point lower or one percentage point higher than the current rates.

	Rate		
	1% Decrease	Current	1% Increase
	6.1% decreasing to 3.1%	7.1% decreasing to 4.1%	8.1% decreasing to 5.1%
Hampton Roads Regional Jail Authority Total OPEB Liability	\$ 3,049,599	\$ 3,483,019	\$ 3,992,735

OPEB Expense

	July 1, 2017 to June 30, 2018
Service Cost	\$ 352,597
Interest on Total OPEB Liability	122,542
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Assumption Changes or Inputs	(24,841)
OPEB Expense	<u>\$ 450,298</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the Authority reported deferred inflows and outflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 86,944
Total	<u>\$ -</u>	<u>\$ 86,944</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Concluded)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows.

<u>Year Ended June 30</u>		
2019	\$	(24,841)
2020		(24,841)
2021		(24,841)
2022		(12,421)
2023		-
Thereafter		-

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

Note 9—Group Life Insurance Program OPEB:

Plan Description

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 9–Group Life Insurance Program OPEB:

Plan Description

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 9—Group Life Insurance Program OPEB: (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
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Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
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For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.
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Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$61,987 and \$61,506 for the years ended June 30, 2018 and June 30, 2017, respectively.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

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

At June 30, 2018, the entity reported a liability of \$965,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .06412% as compared to .06603% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$6,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 21,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	36,000
Change in assumptions	-	50,000
Changes in proportion	-	28,000
Employer contributions subsequent to the measurement date	61,987	-
Total	<u>\$ 61,987</u>	<u>\$ 135,000</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

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

\$61,987 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (27,000)
2020	(27,000)
2021	(27,000)
2022	(27,000)
2023	(18,000)
Thereafter	(9,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

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

Post-Disablement:

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

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

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

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (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:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Actuarial Assumptions: (Continued)

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

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

NET GLI OPEB Liability

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

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9—Group Life Insurance Program OPEB: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

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

Discount Rate

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 9–Group Life Insurance Program OPEB: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Authority's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,248,000	\$ 965,000	\$ 735,000

Group Life Insurance Program Fiduciary Net Position

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

Note 10–Political Subdivision Employee Virginia Local Disability Program (VLDP):

Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This is a multiple-employer, cost-sharing plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 10–Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

Plan Description (Continued)

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

POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits.</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none">• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
<p>Benefit Amounts The Political Subdivision Employee Virginia Local Disability Program (VLDP) provides the following benefits for eligible employees:</p> <p><u>Short-Term Disability</u> –</p> <ul style="list-style-type: none">• The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.• During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. <p><u>Long-Term Disability</u> –</p> <ul style="list-style-type: none">• The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.• Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers’ compensation benefit. Members will not receive a VLDP benefit if their workers’ compensation benefit is greater than the VLDP benefit.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 10—Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

Plan Description (Continued)

<p align="center">POLITICAL SUBDIVISION EMPLOYEE VIRGINIA LOCAL DISABILITY PROGRAM PLAN PROVISIONS (CONTINUED)</p>

Virginia Local Disability Program Notes:

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee VDLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Hampton Roads Regional Jail Authority to the VRS Political Subdivision Employee VDLDP were \$2,005 and \$707 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Hampton Roads Regional Jail Authority reported a liability of \$1,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Authority's proportion of the VLDP was .06415% as compared to .01429%.

For the year ended June 30, 2018, the Authority recognized VLDP OPEB expense of \$1,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 10—Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 2,005	\$ -
Total	<u>\$ 2,005</u>	<u>\$ -</u>

\$2,005 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2019.

Actuarial Assumptions

The total VLDP OPEB liability for the VLDP was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 10—Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 10—Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees (Continued)

Post-Disablement:

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

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

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

Net VLDP OPEB Liability

The net OPEB liability (NOL) for the Political Subdivision Employee VLDP represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Political Subdivision Employee VLDP is as follows (amounts expressed in thousands):

	Political Subdivision Employee VLDP OPEB Plan
	<hr/>
Total Political Subdivision VLDP OPEB Liability	\$ 914
Plan Fiduciary Net Position	351
Political Subdivision net VLDP OPEB Liability (Asset)	<hr/> <hr/> \$ 563

Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	38.40%
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HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Notes to Financial Statements
June 30, 2018 (Continued)**

Note 10—Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

Net VLDP OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS 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 VRS 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 10—Political Subdivision Employee Virginia Local Disability Program (VLDP): (Continued)

Discount Rate

The discount rate used to measure the total VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the Authority for the VLDP 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, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB 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 VLDP OPEB liability.

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

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

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Authority's proportionate share of the Net VLDP OPEB Liability	\$ 1,000	\$ 1,000	\$ 1,000

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

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

Payables to the VLDP OPEB Plan

The Authority had no payables as of June 30, 2018.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 11—Line of Duty Act (LODA) (OPEB Benefits):

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority's LODA coverage is fully covered or "insured" through VML Insurance Program. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2018 was \$77,167.

Note 12—Due From (To) Other Governments:

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

From (to) the Commonwealth of Virginia:		
Per diem	\$	884,104
Reimbursements		875,997
Out of Compliance Medical		89,636
From member cities:		
City of Chesapeake		487,500
City of Hampton		393,910
City of Newport News		390,000
City of Norfolk		487,500
City of Portsmouth		453,375
Total	\$	<u>4,062,014</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 13–Litigation:

The Authority has answered four wrongful death complaints. The litigation is ongoing. The Virginia Risk Management (VARISK) program has the authority to, and is, representing the Authority in these lawsuits, in which they plan to mount a vigorous defense. The outcome is unknown as of December 12, 2018.

Note 14–Adoption of Accounting Principles:

The GASB has issued Statements No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and No. 75 “Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.” This primarily relates to Employer and Employee contributions and the earnings on those contributions are irrevocable and free from employer creditors. The Authority does not contribute to employee OPEB benefits and reports an imputed and unfunded liability of \$4,449,019. Statement No. 74, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The Authority implemented the provisions for GASB 75 in FY 2018. The Authority had a restatement to the FY 2017 Net Position of \$2,401,838. All required disclosures are located in Note 8, 9, 10 & 11.

The GASB has issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO’s). It establishes criteria for determining the timing and pattern of recognition of the liability, the measurement of an ARO based on the best estimate of the current value and requires the current value to be adjusted for the effects of general inflation or deflation. The Authority did not have any ARO’s that meet the requirement for FY 2018.

The GASB has issued Statement No. 84, Fiduciary Activities. This Statement is to enhance the consistency and comparability of fiduciary activity reporting and to improve the usefulness of fiduciary activity information for assessing the accountability of governments in their fiduciary role. This Statement takes effect after December 15, 2018 and the Authority will begin implementation in FY 2019.

The GASB has issued Statement No. 87, Leases. This statement addresses the requirement for recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. This statement requires the recognition of the lease as inflows of resources or outflows of resources, based on the payment provisions of the contract. This statement becomes effective December 15, 2019. At this time, the Authority does not have any leases.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2018 (Continued)

Note 14—Adoption of Accounting Principles: (Concluded)

The GASB has issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement improves the information that is disclosed in notes on government financial statements as it relates to debt, defines debt for the purposes of disclosure and requires that additional essential information related to debt is disclosed in notes to financial statements. The Authority currently has no line of credit debt nor any assets pledged as collateral for debt. All other notes related to debt can be found in Note 5 – Bond Payable.

The GASB has issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The effective reporting date begins after December 15, 2019. At this time, the Authority does not have any construction projects in progress.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 1,915,562	\$ 1,915,605	\$ 1,883,005	\$ 1,810,330
Interest	2,600,374	2,381,256	2,204,830	1,978,110
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(253,160)	(22,431)	(893,974)	-
Changes in assumptions	(793,296)	-	-	-
Benefit payments, including refunds of employee contributions	(1,458,745)	(829,583)	(517,420)	(581,740)
Net change in total pension liability	<u>\$ 2,010,735</u>	<u>\$ 3,444,847</u>	<u>\$ 2,676,441</u>	<u>\$ 3,206,700</u>
Total pension liability - beginning	<u>37,877,575</u>	<u>34,432,728</u>	<u>31,756,287</u>	<u>28,549,587</u>
Total pension liability - ending (a)	<u>\$ 39,888,310</u>	<u>\$ 37,877,575</u>	<u>\$ 34,432,728</u>	<u>\$ 31,756,287</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,456,290	\$ 1,657,364	\$ 1,631,376	\$ 1,805,628
Contributions - employee	604,855	594,812	612,289	567,988
Net investment income	4,132,170	601,656	1,352,935	3,750,530
Benefit payments, including refunds of employee contributions	(1,458,745)	(829,583)	(517,420)	(581,740)
Administrative expense	(22,802)	(18,497)	(16,509)	(18,507)
Other	(3,728)	(244)	(293)	197
Net change in plan fiduciary net position	<u>\$ 4,708,040</u>	<u>\$ 2,005,508</u>	<u>\$ 3,062,378</u>	<u>\$ 5,524,096</u>
Plan fiduciary net position - beginning	<u>33,442,527</u>	<u>31,437,019</u>	<u>28,374,641</u>	<u>22,850,545</u>
Plan fiduciary net position - ending (b)	<u>\$ 38,150,567</u>	<u>\$ 33,442,527</u>	<u>\$ 31,437,019</u>	<u>\$ 28,374,641</u>
Authority's Net pension liability (asset) - ending (a) - (b)	<u>\$ 1,737,743</u>	<u>\$ 4,435,048</u>	<u>\$ 2,995,709</u>	<u>\$ 3,381,646</u>
Plan fiduciary net position as a percentage of the total pension liability	95.64%	88.29%	91.30%	89.35%
Covered payroll	\$ 11,742,609	\$ 11,798,819	\$ 11,602,945	\$ 11,308,103
Authority's net pension liability (asset) as a percentage of covered payroll	14.80%	37.59%	25.82%	29.90%

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

Schedule of Employer Contributions

Pension Plan

For the Years Ended June 30, 2013 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 1,456,158	\$ 1,456,158	\$ -	\$ 11,763,030	12%
2017	1,455,626	1,455,626	-	11,742,609	12%
2016	1,658,914	1,658,914	-	11,798,819	14%
2015	1,631,374	1,631,374	-	11,602,945	14%
2014	1,794,596	1,794,596	-	11,308,103	16%
2013	1,751,479	1,751,479	-	11,036,413	16%
2012	1,334,028	1,334,028	-	10,381,539	13%
2011	1,346,313	1,346,313	-	10,447,148	13%
2010	1,375,464	1,375,464	-	10,847,512	13%
2009	1,402,924	1,402,924	-	11,064,073	13%

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

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Schedule of Changes in total OPEB Liability and Related Ratios
For the Year Ending June 30, 2018

Total OPEB Liability

Service Cost	\$ 352,597
Interest on Total OPEB Liability	122,542
Changes of Benefit Terms	-
Effect of Economic/Demographic Gains or (Losses)	-
Effect of Assumption Changes or Inputs	(111,785)
Benefit Payments	<u>(57,409)</u>
Net Change in total OPEB Liability	\$ 305,945
Total OPEB Liability, Beginning of Year	<u>3,177,074</u>
Total OPEB Liability, End of Year	<u><u>\$ 3,483,019</u></u>
Covered Payroll	\$ 10,611,500
Total OPEB Liability as of % of covered Payroll	32.82%

This schedule is intended to show information for 10 years. Information prior to the 2016 valuation is not available. However, additional years will be included as they become available.

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

Valuation Date: 6/30/2016
 Measurement Date: 6/30/18

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

Methods and assumptions used to determine OPEB liability:

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay	Entry Age Normal, Level Percentage of Pay
Discount Rate	3.50%	3.87%
Inflation	2.5%	2.5%
Healthcare Trend Rates	Medical trend rates consistent with information from the Getzen Trend Model. 7.10% in 2017 grading to an ultimate rate of 4.10% in 2012	Medical trend rates consistent with information from the Getzen Trend Model. 7.10% in 2017 grading to an ultimate rate of 4.10% in 2012
Salary Increases, Including Inflation		
Non-Law Officers	3.5% - 5.35%	3.5% - 5.35%
Law Officers	3.5% - 4.75%	3.5% - 4.75%
Retirement	Eligible retirees contribute 100% of the premium cost for retirees and spouses/dependent coverage	Eligible retirees contribute 100% of the premium cost for retirees and spouses/dependent coverage
Disability	There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium.	There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium.
Mortality Rates		
Pre-Retirement	RP-2000 Employee Mortality projected to 2020: Males set forward 2 yrs (5 Yrs for Public Safety Employees), Females set back 3 years	RP-2000 Employee Mortality projected to 2020: Males set forward 2 yrs (5 Yrs for Public Safety Employees), Females set back 3 years
Post-Retirement	RP-2000 Combined Healthy Mortality projected to 2020, Females set back 1 year	RP-2000 Combined Healthy Mortality projected to 2020, Females set back 1 year
Post-Disablement	RP-2000 Disabled Life mortality - Males set back 3 years and no provision for future mortality improvement	RP-2000 Disabled Life mortality - Males set back 3 years and no provision for future mortality improvement

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.06412%	\$ 965,000	\$ 11,828,134	8.16%	48.86%

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

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 61,987	\$ 61,987	\$ -	\$ 11,829,454	0.52%
2017	61,506	61,506	-	11,828,134	0.52%
2016	56,952	56,952	-	11,865,030	0.48%
2015	56,103	56,103	-	11,688,187	0.48%
2014	54,383	54,383	-	11,329,728	0.48%
2013	53,015	53,015	-	11,044,883	0.48%
2012	29,178	29,178	-	10,420,582	0.28%
2011	29,772	29,772	-	10,632,994	0.28%
2010	22,422	22,422	-	10,991,589	0.20%
2009	30,208	30,208	-	11,188,075	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

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:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

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

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of Authority's Share of Net OPEB Liability
 Virginia Local Disability Program (VLDP)
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net VLDP OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)
2017	0.06415%	\$ 1,000	\$ 334,092	0.30%	38.40%

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

Schedule of Employer Contributions
 Virginia Local Disability Program (VLDP)
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 2,005	\$ 2,005	\$ -	\$ 334,092	1%
2017	707	707	-	117,789	1%
2016	106	106	-	17,646	1%

Schedule is intended to show information for 10 years. There were no Hybrid VRS employees prior to FY 2016. However, additional years will be included as they become available.

Notes to Required Supplementary Information
 Virginia Local Disability Program (VLDP)
 For the Year Ended June 30, 2018

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

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

Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees

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

OTHER SUPPLEMENTARY INFORMATION

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Reconciliation of Budgetary Expenditures to Operating Expenses June 30, 2018

Budgetary Highlights

The Authority adopts an annual budget which is based on the estimated operating and capital expenditures for a fiscal year period. The total budget adopted for FY-18 was \$40,597,238 and contained all day to day operating expenses including personal services, employee benefits, purchased services, other charges, materials and supplies, and capital repairs and equipment. The budget was modified during the year due the award of a Behavioral Health Grant, resulting in a net budget increase of \$824,559 and a final budget of \$41,421,797.

Actual operating revenues were greater than estimated revenues by \$582,337. This revenue increase was primarily due to an increase in Compensation Board reimbursements, Investment revenue and Member per diems. Operating expenditures including debt service were \$1,516,185 less than budgeted.

Budgetary Accounting and Control

Budget Preparation

The Authority prepares its annual budget in accordance with Section 3.8 of the Service Agreement approved by the member cities on December 1, 1995. A preliminary budget is approved by the Authority's Board and provided to the member cities by January 1 of each year and a final budget is approved by the Authority's Board and provided to the member cities by March 1 of each year. The budget is prepared by Authority staff and reviewed by the Finance Committee, consisting of four members of the Authority's Board prior to submission to the Authority's full board for approval. Per Diem rates for the member cities are adopted as part of the annual budget. Five year projections for both revenues and expenses are also part of the annual budget submission as well as the five year schedule capital investment projections.

The Authority's Board approves any budget amendments and any transfers between object classes (i.e. categories) during the ensuing year. The Superintendent may transfer amounts within object classes. While the formal level of budgetary control rests at the object class level, management control is exercised at the sub-object level.

Budgetary Accounting

The annual budget is prepared on a basis of accounting consistent with generally accepted accounting principles. No provision is provided for non-cash items such as depreciation and compensated absences. Capital additions and inventory purchases are budgeted as expenditures. All unobligated appropriations lapse at the end of the fiscal year.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Reconciliation of Budgetary Expenditures to Operating Expenses
Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Operating Expenditures				
Personal services	\$ 13,954,292	\$ 13,821,380	\$ 13,787,268	\$ 34,112
Employee benefits	5,873,508	5,189,199	4,748,370	440,829
Medical services	9,600,000	10,911,077	10,676,511	234,566
Other purchased services	2,652,200	2,430,347	2,322,422	107,925
Other charges	2,745,000	2,471,572	2,658,233	(186,661)
Materials and supplies	684,500	732,732	747,073	(14,341)
Capital outlay	350,500	833,580	221,480	612,100
Inmates commissary	325,000	325,000	374,606	(49,606)
Employees canteen	3,000	3,000	2,948	52
Grant	-	824,559	487,352	337,207
Debt service	3,877,099	3,877,099	3,984,662	(107,563)
Total operating expenditures and debt service	<u>\$ 40,065,098</u>	<u>\$ 41,419,545</u>	<u>\$ 40,010,924</u>	<u>\$ 1,408,621</u>
Add:				
Prior year budget expenditures carried over to current year			\$ 246,401	
Unbudgeted depreciation			3,191,086	
Increase in unbudgeted OPEB liabilities			335,897	
Amortization of deferred amount on refunding bonds			111,840	
Less:				
Decrease in VRS Pension expense			(666,832)	
Capitalized items			(667,427)	
Current year budget obligations carried over to subsequent year			(1,789,839)	
Decrease in unbudgeted compensated absences			<u>(168,199)</u>	
Total operating expenses including debt service			<u>\$ 40,603,851</u>	

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual
Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Operating Revenues				
Commonwealth of Virginia reimbursement	\$ 10,275,000	\$ 10,275,000	\$ 11,141,348	\$ (866,348)
Commonwealth of Virginia per diems, net	2,800,000	2,800,000	2,623,975	176,025
Member per diems	26,684,238	26,684,238	26,797,829	(113,591)
Telephone revenues	350,000	350,000	379,083	(29,083)
Inmates commissary	325,000	325,000	380,730	(55,730)
Inmates keep fees	125,000	125,000	127,934	(2,934)
Commonwealth Grant Funds	-	824,559	514,935	309,624
Employees canteen	3,000	3,000	2,895	105
Miscellaneous revenues	35,000	35,000	35,406	(406)
Total operating revenues	\$ 40,597,238	\$ 41,421,797	\$ 42,004,134	\$ (582,337)
Operating Expenditures				
Personal services	\$ 13,954,292	\$ 13,821,380	\$ 13,787,268	\$ 34,112
Employee benefits	\$ 5,873,508	\$ 5,189,199	\$ 4,748,370	\$ 440,829
Medical services	\$ 9,600,000	\$ 10,911,077	\$ 10,676,511	\$ 234,566
Other purchased services				
Legal services	\$ 50,000	\$ 9,326	\$ 11,584	\$ (2,258)
Cert. Public Accountants	30,000	31,000	31,000	-
Training Academy	70,000	70,206	70,206	-
Computer Services	250,000	255,693	126,062	129,631
Inmate Beneficial Services	35,000	-	(47,850)	47,850
Staff Screening and Testing	40,000	55,000	57,413	(2,413)
Financial Advisory Services	15,000	15,000	13,950	1,050
Maint. Automotive Equipment	50,000	57,664	68,928	(11,264)
Radio Maintenance	16,000	8,000	9,875	(1,875)
Public advertising	1,200	3,700	1,702	1,998
Food services	1,440,000	1,209,856	1,216,487	(6,631)
Maintenance services	540,000	589,619	619,582	(29,963)
Other purchased services	115,000	125,283	143,481	(18,198)
Total purchased services	\$ 2,652,200	\$ 2,430,347	\$ 2,322,422	\$ 107,925
Other charges				
Telecommunications	\$ 80,000	\$ 18,811	\$ 50,511	\$ (31,700)
Utilities	1,832,000	1,621,897	1,771,833	(149,936)
Payment in lieu of taxes	515,000	503,494	503,494	-
Insurance	245,000	247,706	247,706	-
Postage	6,000	7,500	6,905	595
Equipment rental and maintenance	33,000	33,000	33,692	(692)
Car allowance/mileage	5,000	-	-	-
Miscellaneous	6,000	4,500	4,529	(29)
Training and travel	20,000	29,664	35,268	(5,604)
Dues/memberships	3,000	5,000	4,295	705
Total other charges	\$ 2,745,000	\$ 2,471,572	\$ 2,658,233	\$ (186,661)

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual
Fiscal Year Ended June 30, 2018 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Materials and supplies				
Office and miscellaneous supplies	\$ 40,000	\$ 36,796	\$ 40,494	\$ (3,698)
Security supplies	10,000	2,830	2,941	(111)
Maintenance parts and supplies	150,000	184,904	190,762	(5,858)
Uniforms	75,000	127,001	105,106	21,895
Inmate bedding and clothing	200,000	162,000	166,937	(4,937)
Laundry and janitorial supplies	160,000	152,101	167,640	(15,539)
Other jail materials and supplies	49,500	67,100	73,192	(6,092)
Total materials and supplies	<u>\$ 684,500</u>	<u>\$ 732,732</u>	<u>\$ 747,073</u>	<u>\$ (14,341)</u>
Capital outlay	<u>\$ 350,500</u>	<u>\$ 833,580</u>	<u>\$ 221,480</u>	<u>\$ 612,100</u>
Grant Expenses	<u>\$ -</u>	<u>\$ 824,559</u>	<u>\$ 487,352</u>	<u>\$ 337,207</u>
Inmates commissary	<u>\$ 325,000</u>	<u>\$ 325,000</u>	<u>\$ 374,606</u>	<u>\$ (49,606)</u>
Employees canteen	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,948</u>	<u>\$ 52</u>
Total operating expenditures	<u>\$ 36,188,000</u>	<u>\$ 37,542,446</u>	<u>\$ 36,026,263</u>	<u>\$ 1,516,184</u>
Excess (deficit) of operating revenues (over) under operating expenditures	<u>\$ 4,409,238</u>	<u>\$ 3,879,351</u>	<u>\$ 5,977,872</u>	<u>\$ (933,847)</u>
Nonoperating revenues				
Gain (loss) on disposal of property	\$ -	\$ -	\$ (195,510)	\$ 195,510
Investment income	<u>50,000</u>	<u>50,000</u>	<u>143,201</u>	<u>(93,201)</u>
Total nonoperating revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ (52,309)</u>	<u>\$ 102,309</u>
Nonoperating expenses				
Debt service				
Principal	\$ 2,710,000	\$ 2,710,000	\$ 2,710,000	-
Interest and fiscal charges	<u>1,167,099</u>	<u>1,167,099</u>	<u>1,274,662</u>	<u>(107,563)</u>
Total debt service	<u>\$ 3,877,099</u>	<u>\$ 3,877,099</u>	<u>\$ 3,984,662</u>	<u>\$ (107,563)</u>
Excess (deficit) of revenues (over) under expenditures	<u>\$ 582,139</u>	<u>\$ 52,252</u>	<u>\$ 1,940,901</u>	<u>\$ (1,888,650)</u>
Net position - July 1, 2017, as adjusted			\$ 13,406,997	
Prior year budget expenditures carried over to current year			(246,401)	
Depreciation			(3,191,086)	
Increase in OPEB expenses			(335,897)	
Decrease in compensated absences			168,199	
Decrease in VRS Pension			666,832	
Capital additions			667,427	
Current year budget obligations carried over to subsequent year			<u>1,789,839</u>	
Net position - June 30, 2018			<u>\$ 14,866,811</u>	

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STATISTICAL SECTION (UNAUDITED)

This section of the Hampton Roads Regional Jail Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority’s overall financial health.

Financial Trends

These tables contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time. Tables 1-2

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Authority’s ability to generate its revenues..... Tables 3-4

Debt Capacity

This table presents information to help the reader assess the affordability of the Authority’ current level of outstanding debt and the Authority’s ability to issue additional debt in the future. Table 5-6

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place and to help make comparisons over time and with other governments..... Tables 7-13

Operating Information

These tables contain information about the Authority’s operations and resources to help the reader understand how the Authority’s financial information relates to the services the Authority provides and activities it performs. Tables 14-18

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Net Position - By Component
Last Ten Years

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net investment in capital assets	\$ 489,069	\$ 617,069	\$ 230,685	\$ (29,743)	\$ 309,452	\$ 977,085	\$ 1,573,904	\$ 2,394,176	\$ 3,420,254	\$ 4,379,116
Restricted	3,892,925	3,856,686	3,955,339	4,680,621	4,567,622	4,450,615	4,414,775	4,370,997	4,388,904	4,218,228
Unrestricted	10,484,817	11,335,080	9,016,943	4,013,176	7,426,300	12,856,739	14,108,478	14,491,877	15,841,794	18,204,977
Total net position	\$ 14,866,811	\$ 15,808,835	\$ 13,202,967	\$ 8,664,054	\$ 12,303,374	\$ 18,284,439	\$ 20,097,157	\$ 21,257,050	\$ 23,650,952	\$ 26,802,321

Note: Funds identified by the Authority's Board for Capital Repair and Replacement and the Operating Reserve are considered unrestricted.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Changes in Net Position
Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues:										
Commonwealth of Virginia:										
Reimbursements	\$ 10,637,496	\$ 10,254,359	\$ 10,122,896	\$ 9,720,524	\$ 10,043,289	\$ 9,304,484	\$ 9,187,838	\$ 9,199,839	\$ 8,516,533	\$ 7,485,000
Per diems, net of recoveries	2,623,976	2,672,390	2,820,066	2,571,432	2,458,120	712,519	(20,641)	(607,639)	231,583	400,538
Federal passed through grants	-	-	-	-	-	-	-	-	562,300	2,547,946
Out of Compliance Medical	503,852	1,236,421	299,358	-	-	-	-	-	-	-
Commonwealth Grant Funds	514,935	132,136	-	-	-	-	-	-	-	-
Member per diems	26,797,828	26,245,733	24,447,996	21,924,385	16,751,048	15,474,383	14,230,706	12,903,464	12,355,010	11,914,590
ICE per diems	-	-	-	-	42,008	6,410,640	8,797,146	9,602,260	8,534,729	9,018,009
New Member Buy In	-	1,000,000	1,000,000	1,000,000	-	-	-	-	-	-
Telephone revenue	379,082	432,520	352,686	356,604	360,400	564,000	566,156	560,000	559,656	532,439
Inmates commissary sales commissions	380,730	382,707	349,107	258,860	220,883	272,843	302,905	318,741	333,162	304,700
Inmates keep fees	127,934	128,277	130,886	106,881	97,379	95,219	94,028	111,805	-	175,943
Employees canteen sales commissions	2,895	3,903	6,336	5,295	5,402	5,726	6,792	4,504	2,784	3,875
Miscellaneous revenues	35,406	19,120	23,738	18,234	233,525	54,378	76,058	108,202	78,914	84,053
Total revenues	\$ 42,004,132	\$ 42,507,566	\$ 39,553,069	\$ 35,962,215	\$ 30,212,054	\$ 32,894,192	\$ 33,240,988	\$ 32,201,176	\$ 31,174,671	\$ 32,467,093
Operating expenses:										
Jail operations										
Personal services	\$ 13,787,268	\$ 12,886,666	\$ 12,455,103	\$ 12,223,582	\$ 11,723,937	\$ 11,721,476	\$ 10,895,338	\$ 11,190,400	\$ 11,363,677	\$ 11,606,272
Employee benefits	4,748,370	5,277,147	4,757,741	4,756,240	5,118,128	4,946,227	4,675,228	4,542,426	4,643,629	4,599,441
Medical services	10,676,511	11,382,438	9,549,716	9,186,936	8,855,878	8,412,865	8,944,932	8,697,543	8,525,644	7,935,718
Other purchased services	2,322,422	2,503,411	2,524,109	2,209,057	2,136,631	2,287,935	2,166,816	2,186,178	2,205,175	2,152,009
Other charges	2,658,233	2,501,662	2,340,931	2,340,737	2,207,920	2,164,575	2,318,073	2,325,370	2,346,458	2,482,459
Materials and supplies	747,073	562,587	743,079	579,516	589,227	599,338	608,233	639,571	597,351	601,035
Noncapital equipment	221,480	219,757	156,636	102,596	102,425	106,697	60,705	65,534	29,580	188,751
Inmates commissary	374,606	260,149	257,781	258,860	218,027	297,485	343,815	321,443	295,162	300,000
Employees canteen	2,948	5,000	2,713	6,612	7,420	9,581	6,825	4,648	2,784	3,379
Behavioral Health Grant	487,352	113,867	-	-	-	-	-	-	-	-
Capital Outlay	-	219,757	-	-	-	-	-	-	-	-
Depreciation	3,191,086	2,883,812	2,570,467	2,554,786	2,556,165	2,583,573	2,570,262	2,638,247	2,671,359	2,635,038
Total operating expenses	\$ 39,217,348	\$ 38,596,496	\$ 35,355,276	\$ 34,218,922	\$ 33,515,758	\$ 33,129,752	\$ 32,590,227	\$ 32,611,360	\$ 32,680,819	\$ 32,504,102
Operating income (loss)	\$ 2,786,784	\$ 3,911,070	\$ 4,197,793	\$ 1,743,293	\$ (3,303,704)	\$ (235,560)	\$ 650,761	\$ (410,184)	\$ (1,506,148)	\$ (37,009)
Nonoperating revenues (expenses)										
Investment income	\$ 143,201	\$ 22,992	\$ 13,284	\$ 20,859	\$ 47,100	\$ 34,272	\$ 240,356	\$ 182,595	\$ 348,959	\$ 543,760
Gain (loss) on disposal of capital assets	(195,510)	4,005	(11,745)	2,780	(274)	(357)	(1,329)	1,668	(41,785)	(133,141)
Interest and fiscal charges	(1,274,662)	(1,332,199)	(1,420,199)	(1,512,838)	(1,542,514)	(1,611,073)	(2,049,681)	(2,167,981)	(1,952,395)	(2,248,110)
Total nonoperating revenues (expenses)	\$ (1,326,971)	\$ (1,305,202)	\$ (1,418,660)	\$ (1,489,199)	\$ (1,495,688)	\$ (1,577,158)	\$ (1,810,654)	\$ (1,983,718)	\$ (1,645,221)	\$ (1,837,491)
Change in net position	\$ 1,459,814	\$ 2,605,868	\$ 2,779,133	\$ 254,094	\$ (4,799,392)	\$ (1,812,718)	\$ (1,159,893)	\$ (2,393,902)	\$ (3,151,369)	\$ (1,874,500)
Capital contributions										
State Grant for Capital Improvements	\$ -	\$ -	\$ 1,759,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in net position	\$ 1,459,814	\$ 2,605,868	\$ 4,538,913	\$ 254,094	\$ (4,799,392)	\$ (1,812,718)	\$ (1,159,893)	\$ (2,393,902)	\$ (3,151,369)	\$ (1,874,500)

TABLE 3

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Per Diem Revenues
Last Ten Years

Fiscal Year	City of Chesapeake		City of Hampton		City of Newport News		City of Norfolk		City of Portsmouth		Member Per Diem Total		ICE
2018	\$	5,932,290	\$	4,664,305	\$	4,749,800	\$	5,935,370	\$	5,516,063	\$	26,797,828	-
2017		5,840,360		4,443,560		4,692,080		5,844,960		5,424,773		26,245,733	-
2016		4,320,345		4,345,830		4,701,000		5,764,860		5,315,520		24,447,555	-
2015		2,009,085		4,382,085		4,621,000		5,756,590		5,155,625		21,924,385	-
2014		-		3,757,855		3,870,840		4,843,330		4,279,023		16,751,048	42,008
2013		-		3,507,781		3,579,628		4,471,250		3,915,724		15,474,383	6,410,640
2012		-		3,230,498		3,328,016		4,118,332		3,553,860		14,230,706	8,797,146
2011		-		2,774,499		3,214,004		3,747,858		3,167,103		12,903,464	9,602,260
2010		-		2,614,206		3,363,679		3,467,500		2,909,625		12,355,010	8,534,729
2009		-		2,781,077		2,936,776		3,376,250		2,820,487		11,914,590	9,018,009

TABLE 4

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Per Diem Rates
Last Ten Years

Fiscal Year	Per Diem Rates					ICE	Reduced Rate Maximum 20% (2)
	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth (1)		
2018	\$ 65.00	\$ 65.00	\$ 65.00	\$ 65.00	\$ 60.45	\$ -	40.00
2017	64.00	64.00	64.00	64.00	59.45	-	40.00
2016	63.00	63.00	63.00	63.00	58.08	-	40.00
2015	-	63.00	63.00	63.00	56.50	75.69	40.00
2014	-	53.00	53.00	53.00	46.85	75.69	40.00
2013	-	49.00	49.00	49.00	42.80	75.69	36.00
2012	-	45.00	45.00	45.00	38.84	75.69	32.00
2011	-	41.00	41.00	41.00	34.70	75.69	28.00
2010	-	38.00	38.00	38.00	31.74	75.69	25.00
2009	-	37.00	37.00	37.00	30.85	75.69	24.00

(1) Portsmouth is the host city for the Authority and its per diem rate is less than that of the other four cities.

(2) Per diem rate for cities that exceed their contractual bed amount.

TABLE 5

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Revenue Bond Coverage Compliance with Indenture Revenue Covenant
Last Ten Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation (2)	Income Available for Debt Service	Credits Allowed by Revenue Covenant (3)	Net Revenue and Credits Available for Debt Service	Annual Revenue Bond Debt Service	Revenue Covenant Ratio (4)
2018	\$ 42,147,334	\$ 36,026,262	\$ 6,121,072	\$ 3,999,275	\$ 10,120,347	\$ 3,868,673	2.62
2017	42,530,559	35,712,683	6,817,876	3,792,263	10,610,139	3,864,268	2.75
2016	39,590,209	32,172,866	7,417,343	3,789,080	11,206,423	3,777,024	2.97
2015	35,983,074	31,664,136	4,318,938	3,386,812	7,705,750	3,030,799	2.54
2014	30,258,881	30,959,593	(700,712)	3,418,145	2,717,433	3,133,313	0.87
2013	32,928,464	30,546,179	2,382,285	3,474,083	5,856,368	3,554,705	1.65
2012	33,481,344	30,019,965	3,461,379	3,291,103	6,752,482	3,649,681	1.85
2011	32,383,771	29,973,113	2,410,658	3,398,053	5,808,711	3,707,981	1.57
2010	31,523,630	30,009,460	1,514,170	3,256,278	4,770,448	3,442,395	1.39
2009	32,877,712	29,869,064	3,008,648	3,327,552	6,336,200	3,693,110	1.72

(1) Includes operating revenue plus investment income.

(2) The indenture does not permit depreciation to be included in the operating expense.

(3) The Indenture permits credits toward the revenue covenant for, among other items, unencumbered amounts in the General Reserve Fund and amounts in Capital Repair and Replacement Reserve Fund in excess of the Replacement Reserve Requirement of \$100,000. The allowable credit is limited to 10% in the aggregate of the total of operating expenses plus the debt service requirement contained in the annual budget for the fiscal year.

(4) The ratio required by the Revenue Covenant is the greater of (a) 1.10 times Senior Debt Service plus 1.0 times Subordinate Debt Service for the fiscal year or (b) 1 times the funding requirements for all funds established under the Master Indenture. The ratio shown is coverage for Senior Debt Service in clause (a) which is greater than the amount required in clause (b). The Authority has no subordinate debt.

(5) Section 9.6 of the Master Indenture of Trust requires, "... if as of the end of any fiscal year, the Authority is not in compliance with the Revenue Covenant, The Authority will immediately request the Consultant to submit a written report and recommendations with respect to increases in the Authority's rates, fees, and charges necessary to bring the Authority into compliance with the Revenue Covenant." Mr. Kevin Rotty, Managing Director of the Public Financial Management Group (PFM) has been hired to provide this written report and recommendations. The authority has ample cash reserves to meet the debt service requirements and has made all required debt service payments timely.

TABLE 6

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Outstanding Debt by Type and Ratios to Personal Income and Population
Last Ten Years

Fiscal Year	Revenue		Total	Annual Personnel Income (1)		Ratio of Debt to Personal Income		Debt Per Capita	
	Bonds			Income (1)		Income	Population (1)	Capita	
2018	\$	33,148,523	\$	33,148,523	\$	Unavailable	Unavailable	\$	-
2017		36,038,706		36,038,706		Unavailable	Unavailable		-
2016		38,884,505		38,884,505		26,252,853	896,862		43.36
2015		41,463,245		41,463,245		26,250,146	896,862		62.59
2014		41,849,390		41,849,390		25,172,391	662,466		63.39
2013		43,636,911		43,636,911		24,465,352	660,203		66.14
2012		39,919,746		39,919,746		24,461,409	659,729		60.84
2011		39,749,189		39,749,189		23,853,126	656,124		60.55
2010		42,530,000		42,530,000		22,986,571	656,493		64.78

Note: Personal Income, Population and Unemployment statistics were not required in the financial report prior to FY2010.

2016 personal income, population and per capita income is the most recent data available

(1) Total for Members from Table 7

TABLE 7

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Demographic Statistics for Member Jurisdictions
Last Ten Years

Total Annual Personal Income In Thousands (1)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2016	\$ 11,254,969	\$ 5,603,945	\$ 7,448,898	\$ 9,433,045	\$ 3,766,965	\$ 37,507,822
2015	11,010,828	5,561,735	7,377,992	9,529,615	3,780,804	37,260,974
2014	-	5,373,822	7,088,395	9,122,284	3,587,890	25,172,391
2013	-	5,207,725	6,906,721	8,842,338	3,508,568	24,465,352
2012	-	5,173,458	6,874,615	8,928,833	3,484,503	24,461,409
2011	-	5,084,002	6,695,621	8,608,415	3,465,088	23,853,126
2010	-	4,933,249	6,359,848	8,380,127	3,313,347	22,986,571
Per Capita Personal Income (1)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2016	\$ 47,302	\$ 41,385	\$ 40,967	\$ 35,940	\$ 38,484	\$ 204,078
2015	46,769	40,759	40,453	38,676	39,301	205,958
2014	-	38,994	38,841	37,052	37,391	152,278
2013	-	37,909	38,054	36,066	36,486	148,515
2012	-	37,718	38,172	36,308	36,091	148,289
2011	-	37,218	37,170	35,342	36,167	145,897
2010	-	35,892	35,158	34,501	34,701	140,252
Population (1)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2016	237,621	135,332	181,825	247,087	94,997	896,862
2015	235,429	136,454	182,385	246,393	96,201	896,862
2014	-	137,813	182,499	246,199	95,955	662,466
2013	-	137,376	181,496	245,169	96,162	660,203
2012	-	137,163	180,098	245,920	96,548	659,729
2011	-	136,601	180,136	243,578	95,809	656,124
2010	-	137,448	180,891	242,893	95,484	656,716
Unemployment Rate (2)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2018	4.6%	3.8%	4.2%	3.4%	3.9%	
2017	4.2%	5.3%	4.8%	4.9%	5.6%	
2016	4.3%	5.6%	5.1%	5.3%	6.0%	
2015	4.3%	6.3%	5.7%	5.6%	6.5%	
2014	-	6.4%	6.3%	6.6%	6.8%	
2013	-	7.0%	6.6%	7.0%	7.5%	
2012	-	7.7%	7.2%	7.7%	8.2%	
2011	-	8.6%	8.0%	8.3%	8.9%	
2010	-	-	-	-	-	

Note: Personal Income, Population and Unemployment statistics were not required in the financial report prior to FY2010
2016 personal income, population and per capita income is the most recent data available

Sources: (1) U.S. Department of Commerce, Bureau of Economic Analysis

(2) U.S. Department of Commerce, Bureau of Labor Statistics

TABLE 8

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Full-time Equivalent Employees - By Function
Last Ten Years

As of June 30	Jail Operations		Total (1)
	Sworn	Civilian	
2018	277	22	299
2017	262	10	272
2016	264	14	278
2015	262	15	277
2014	266	15	281
2013	254	14	268
2012	261	17	278
2011	261	15	276
2010	263	18	281
2009	278	18	296

(1) Full-time equivalent employees equal positions filled at June 30.

TABLE 9

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Inmate Population Statistics
Last Ten Years

Average Daily Population (ADP) at HRRJ										
Fiscal Year	From City of Chesapeake	From City of Hampton	From City of Newport News	From City of Norfolk	From City of Portsmouth	Total from Member Cities	From ICE	From Other	Total	Total Number of Inmate Days
2018	250	209	200	250	184	1,093	-	2	1,095	399,675
2017	250	199	201	250	212	1,112	-	2	1,114	406,583
2016	187	196	206	249	247	1,085	-	4	1,089	399,078
2015	88	200	201	250	212	951	-	6	957	349,007
2014	-	200	200	250	236	886	2	6	894	326,114
2013	-	204	200	249	236	889	232	-	1,121	409,206
2012	-	203	203	250	215	871	318	-	1,189	435,078
2011	-	188	222	249	220	879	348	-	1,227	448,009
2010	-	195	254	247	250	946	309	-	1,255	458,301
2009	-	215	227	245	250	937	326	-	1,263	460,814
Number of Admissions										
Fiscal Year	From City of Chesapeake	From City of Hampton	From City of Newport News	From City of Norfolk	From City of Portsmouth	Total from Member Cities	From ICE	From Other	Total	
2018	494	360	510	576	544	2,484	-	78	2,562	
2017	527	434	613	668	507	2,749	-	77	2,826	
2016	484	349	623	908	648	3,012	-	38	3,050	
2015	272	384	402	603	578	2,239	-	15	2,254	
2014	-	393	390	463	512	1,758	161	123	2,042	
2013	-	362	404	449	525	1,740	1,165	32	2,937	
2012	-	365	406	458	593	1,822	2,385	20	4,227	
2011	-	457	520	533	603	2,113	2,334	28	4,475	
2010	-	377	492	593	712	2,174	1,894	-	4,068	
2009	-	459	552	580	752	2,343	3,055	-	5,398	
Number of Releases										
Fiscal Year	From City of Chesapeake	From City of Hampton	From City of Newport News	From City of Norfolk	From City of Portsmouth	Total from Member Cities	From ICE	From Other	Total	
2018	494	365	510	586	542	2,497	-	77	2,574	
2017	520	414	604	670	566	2,774	-	80	2,854	
2016	381	358	636	907	637	2,919	-	39	2,958	
2015	187	381	396	609	536	2,109	-	12	2,121	
2014	-	387	391	454	542	1,774	161	11	1,946	
2013	-	382	401	450	523	1,756	1,546	30	3,332	
2012	-	354	432	455	565	1,806	2,352	20	4,178	
2011	-	420	503	533	647	2,103	2,303	29	4,435	
2010	-	407	494	589	709	2,199	1,970	-	4,169	
2009	-	508	572	584	758	2,422	2,845	-	5,267	

TABLE 10

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Average Daily Inmate Population of Member City Jails
Last Ten Years (1)

Fiscal Year	City of Chesapeake		City of Hampton		City of Newport News			City of Norfolk		City of Portsmouth		Total
					Jail	Farm	Total					
2018	1,032		305		442	-	442	1,079		204		3,062
2017	543		468		480	-	480	1,114		220		2,825
2016	888		357		480	-	480	1,103		233		3,061
2015	976		368		482	129	611	1,274		400		3,629
2014	-		409		660	163	823	1,646		569		3,447
2013	-		405		476	138	614	1,429		412		2,860
2012	-		406		501	158	659	1,381		409		2,855
2011	-		372		514	155	669	1,337		416		2,794
2010	-		367		541	115	656	1,438		459		2,920
2009	-		366		562	136	698	1,629		498		3,191

(1) Each of the Authority's five Member Cities operate their own City jails, and send selected inmates to Hampton Roads Regional Jail.

Source: ADP was supplied by the State Compensation Board

TABLE 11

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Average Daily Inmate Population - Hampton Roads Regional Jail and Member City Jails - Combined
Last Ten Years

Fiscal Year	Hampton Roads Regional Jail	Member City Jails (1)	Total with ICE	% Increase/ (Decrease) with ICE	Less: ICE	Total without ICE	% Increase/ (Decrease) without ICE
2018	1,093	3,062	4,155	5.5	-	4,155	5.5
2017	1,114	2,825	3,939	(5.0)	-	3,939	(5.0)
2016	1,086	3,061	4,147	(9.6)	-	4,147	(9.6)
2015	956	3,629	4,585	5.6	-	4,585	5.7
2014	894	3,447	4,341	9.0	2.00	4,339	15.7
2013	1,121	2,860	3,981	(1.6)	232	3,749	0.6
2012	1,189	2,855	4,044	0.6	318	3,726	1.4
2011	1,227	2,794	4,021	(3.7)	348	3,673	(5.0)
2010	1,255	2,920	4,175	(6.3)	309	3,866	(6.3)
2009	1,263	3,191	4,454	(3.6)	326	4,128	(6.1)

(1) Each of the Authority's four Member Cities operate their own City jails, and send selected inmates to Hampton Roads Regional Jail.

TABLE 12

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Inmate Days and Per Diems Billed - By Jurisdiction
Fiscal Year 2018

Member City	Per Diem Rate	# Beds Guaranteed	Inmate Days Guaranteed (1)	Inmate Days Billed (2)	Per Diems Billed
Chesapeake	\$ 65.00	250	91,250 \$	91,278 \$	5,932,290
Hampton	\$ 65.00	175	63,875	72,764	4,664,305
Newport News	\$ 65.00	200	73,000	73,462	4,749,800
Norfolk	\$ 65.00	250	91,250	91,374	5,935,370
Portsmouth	\$ 60.45	250	91,250	91,500	5,516,063
Totals		1,125	410,625 \$	420,378 \$	26,797,828

(1) Inmate days guaranteed are equal to 365 times the number of beds guaranteed.

(2) Inmate days billed are calculated and billed monthly as the greater of actual inmate days or guaranteed inmate days.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Principal Employers Member Jurisdictions
2017 and Nine Years Ago

2017(1)			2008		
Employer	# of Employees	Rank	Employer	# of Employees	Rank
Norfolk Naval Shipyard	10,000-15,000	1	Norfolk Naval Shipyard	5,000-10,000	1
Naval Medical Center, Portsmouth	5,000-10,000	2	Naval Medical Center, Portsmouth	5,000-10,000	2
City of Portsmouth	5,000-10,000	3	City of Portsmouth	1,000-5,000	3
U.S. Coast Guard Command, Portsmouth	1,000-5,000	4	Portsmouth Public Schools	1,000-5,000	4
Portsmouth Public Schools	1,000-5,000	5	Bon Secours maryview medical Center	1,000-5,000	5
Bon Secours maryview medical Center	1,000-5,000	6	U.S. Coast Guard Command, Portsmouth	1,000-5,000	6
Earl Industries	500-999	7	Alternative Behavior Services (FHC)	500-999	7
Tidewater Community College	500-999	8	Earl Industries	500-999	8
Smithfield of Virginia	250-500	9	Smithfield of Virginia	500-999	9
Walmart Supercenter	250-500	10	Walmart Supercenter	250-500	10

2017(1)			2008		
Employer	# of Employees	Rank	Employer	# of Employees	Rank
City of Chesapeake Public Schools	5,000-10,000	1	City of Chesapeake Public Schools	5,000-10,000	1
City of Chesapeake	1,000-5,000	2	City of Chesapeake	1,000-5,000	2
Chesapeake Regional Medical Center	1,000-5,000	3	Chesapeake Regional Medical Center		3
Cox Communications	1,000-5,000	4	QVC Chesapeake Inc		4
Sentara Health	1,000-5,000	5	HSBC-Household International		5
Capital One	1,000-5,000	6	LTD Management Co LLC Marketing		6
Dollar Tree Stores	500-999	7	LTD Management Co LLC		7
QVC Chesapeake Inc	500-999	8	EDS		8
Canon Informatin Technology Service, Inc	500-999	9	Cox Communications		9
Xerox (Formerly Hewlett-Packard)	500-999	10	Reliance Staffing Services		10

2017(1)			2008		
Employer	# of Employees	Rank	Employer	# of Employees	Rank
City of Hampton	Over 600	1	Air Force Command & Control Intelligence	Over 500	1
Commonwealth of Virginia	Over 600	2	Aloca Howmet	Over 500	2
Hampton City School Board	Over 600	3	City of Hampton	Over 500	3
Hampton Newport News CSB	Over 600	4	Fort Monroe	Over 500	4
Hampton University	Over 600	5	Hampton City School Board	Over 500	5
Howmet Castings & Service, Inc	Over 600	6	Hampton University	Over 500	6
Langley Air Force Base	Over 600	7	Hampton VA-Veterans Hospital	Over 500	7
National Aeronautics/Space Admin	Over 600	8	Langley Air Force Base	Over 500	8
Riverside Regional Medical Center	Over 600	9	NASA Langley Research Center	Over 500	9
Sentara Health Systems	Over 600	10	Sentara Health Systems	Over 500	10

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Principal Employers Member Jurisdictions
2017 and Nine Years Ago (Continued)

City of Newport News, VA			2017(1)			2008		
Employer	# of Employees	Rank	Employer	# of Employees	Rank	Employer	# of Employees	Rank
Huntington Ingalls Industries, Inc	10,000-25,000	1	Huntington Ingalls Industries, Inc	10,000-25,000	1	Huntington Ingalls Industries, Inc	10,000-25,000	1
U.S. Department of Defense	5,000-10,000	2	U.S. Department of Defense	5,000-10,000	2	U.S. Department of Defense	5,000-10,000	2
Riverside Regional Medical Center	1,000-5,000	3	Riverside Regional Medical Center	1,000-5,000	3	Riverside Regional Medical Center	1,000-5,000	3
Newport News Public Schools	1,000-5,000	4	Newport News Public Schools	1,000-5,000	4	Newport News Public Schools	1,000-5,000	4
City of Newport News	1,000-5,000	5	City of Newport News	1,000-5,000	5	City of Newport News	1,000-5,000	5
Ferguson Enterprises, Inc.	1,000-5,000	6	Ferguson Enterprises, Inc.	1,000-5,000	6	Ferguson Enterprises, Inc.	1,000-5,000	6
Christopher Newport University	1,000-5,000	7	Christopher Newport University	1,000-5,000	7	Christopher Newport University	1,000-5,000	7
Canon	1,000-5,000	8	Canon	1,000-5,000	8	APAC Customer Services	1,000-5,000	8
RMH Teleservices, Inc	1,000-5,000	9	RMH Teleservices, Inc	1,000-5,000	9	U.S. Department of Army and Air Force	500-999	9
Walmart	1,000-5,000	10	Walmart	1,000-5,000	10			

City of Norfolk, VA			2017(1)			2008		
Employer	# of Employees	Rank	Employer	# of Employees	Rank	Employer	# of Employees	Rank
U.S. Department of Defense	1000+	1	U.S. Department of Defense	1000+	1	U.S. Department of Defense	1000+	1
Sentara Healthcare	1000+	2	Sentara Healthcare	1000+	2	Sentara Healthcare	1000+	2
Norfolk City Public Schools	1000+	3	Norfolk City Public Schools	1000+	3	Norfolk City Public Schools	1000+	3
City of Norfolk	1000+	4	City of Norfolk	1000+	4	City of Norfolk	1000+	4
Old Dominion University	1000+	5	Old Dominion University	1000+	5	Old Dominion University	1000+	5
Children's Hospital of the King's Daughters	1000+	6	Children's Hospital of the King's Daughters	1000+	6	Children's Hospital of the King's Daughters	1000+	6
Medical College of Hampton Roads	1000+	7	Medical College of Hampton Roads	1000+	7	Norfolk State University	1000+	7
The Wellpoint Companies	1000+	8	The Wellpoint Companies	1000+	8	U.S. Postal Service	1000+	8
Norfolk State University	1000+	9	Norfolk State University	1000+	9	Medical College of Hampton Roads	1000+	9
Portfolio Recovery Associates	1000+	10	Portfolio Recovery Associates	1000+	10	Bank of America	1000+	10

Source: FY 2017 Comprehensive Annual Financial Reports from each City
The Virginia Employment Commission does not permit specific employee numbers to be publicly reported, therefore only employment ranges are presented above.
(1) 2017 and 2008 is the most recent data available.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Total Expenses - By Function
Last Ten Years

Fiscal Year	Jail Operations										Debt		
	Personal Services	Employee Benefits	Inmate Medical Services	Other Purchased Services	Other Charges	Grant	Materials and Supplies	Non-capital Equipment	Inmates Commissary	Employees Canteen	Depreciation	Interest and Fiscal Charges	Total Expenses
2018	\$ 13,787,268	\$ 4,748,370	\$ 10,676,511	\$ 2,322,422	\$ 2,658,233	\$ 487,352	\$ 747,073	\$ 221,480	\$ 374,606	\$ 2,948	\$ 3,191,086	\$ 1,274,662	\$ 40,492,011
2017	12,886,666	5,277,147	11,382,438	2,503,411	2,501,662	113,867	562,587	219,757	260,149	5,000	2,883,812	1,332,199	39,928,695
2016	12,455,103	4,757,045	8,948,896	2,524,109	2,340,931	-	743,079	156,636	257,781	2,713	2,570,467	1,420,199	36,176,959
2015	12,223,582	4,756,240	9,186,936	2,209,057	2,340,737	-	579,516	102,596	258,860	6,612	2,554,786	1,512,838	35,731,760
2014	11,723,937	5,118,128	8,855,878	2,136,631	2,207,920	-	589,227	102,425	218,027	7,420	2,556,165	1,542,514	35,058,272
2013	11,721,476	4,946,227	8,412,865	2,287,935	2,164,575	-	599,338	106,697	297,485	9,581	2,583,573	1,611,073	34,740,825
2012	10,895,338	4,675,228	8,944,932	2,166,816	2,318,073	-	608,233	60,705	343,815	6,825	2,570,262	2,049,681	34,639,908
2011	11,190,400	4,542,426	8,697,543	2,186,178	2,325,370	-	639,571	65,534	321,443	4,648	2,638,247	2,167,981	34,779,341
2010	11,363,677	4,643,629	8,525,644	2,205,175	2,346,458	-	597,351	29,580	295,162	2,784	2,671,359	1,952,395	34,633,214
2009	11,606,272	4,599,441	7,935,718	2,152,009	2,482,459	-	601,035	188,751	300,000	3,379	2,635,038	2,248,110	34,752,212

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Total Revenue - By Source
Last Ten Years

Fiscal Year	Commonwealth		State Grants (2)	Total from Commonwealth	Member Per Diems	ICE Per Diems	Investment Income	Telephone Revenues	Inmates Keep Fees (1)	Sales Commissions			Total Revenues
	Reimbursement	Per Diems								Inmates Commissary	Employees Canteen	Miscellaneous Revenues (3)	
2018	\$ 11,141,348	\$ 2,623,975	\$ 514,935	\$ 14,280,258	\$ 26,797,828	\$ -	\$ 143,201	\$ 379,082	\$ 127,934	\$ 380,730	\$ 2,895	\$ (160,104)	\$ 41,951,824
2017	11,490,780	2,672,390	132,136	14,295,306	26,245,733	-	22,992	432,520	128,277	382,707	3,903	1,023,124	42,534,563
2016	10,122,896	2,820,066	1,759,780	14,702,742	25,447,996	-	13,284	352,686	130,886	349,107	6,336	1,311,351	42,314,388
2015	9,720,524	2,571,432	-	12,291,956	21,924,385	-	20,859	356,604	106,881	258,860	5,295	1,021,014	35,985,854
2014	10,043,289	2,458,120	-	12,501,409	16,751,048	42,008	46,826	360,400	97,379	220,883	5,402	233,525	30,258,880
2013	9,304,484	712,519	-	10,017,003	15,474,383	6,410,640	34,272	564,000	95,219	272,843	5,726	54,378	32,928,464
2012	9,187,838	(20,641)	-	9,167,197	14,230,706	8,797,146	240,356	566,156	94,028	302,905	6,792	74,729	33,480,015
2011	9,199,839	(607,639)	-	8,592,200	12,903,464	9,602,260	182,595	560,000	111,805	318,741	4,504	109,870	32,385,439
2010	8,516,533	231,583	562,300	9,310,416	12,355,010	8,534,729	348,959	559,656	-	333,162	2,784	37,129	31,481,845
2009	7,485,000	400,538	2,547,946	10,433,484	11,914,590	9,018,009	543,760	532,439	175,943	304,700	3,875	(49,088)	32,877,712

- (1) The Authority began charging one dollar per day for inmate keep on November 1, 2003 in accordance with the Code of Virginia. In accordance with Virginia law, inmates keep fees were returned to the member cities during FY2010. Beginning in FY2016 Inmate workers were exempted from Keep fees.
- (2) During FY2009 and FY2010, the Authority received American Recovery and Reinvestment Act State Fiscal Stabilization Funds. In FY 2017 and 2018 the Authority received a Behavioral Health Grant. These were passed through the Commonwealth.
- (3) Losses on disposal of property are included in miscellaneous revenues. Fiscal year 2015, 2016, 2017 includes Chesapeake's member buy-in of \$1,000,000.

TABLE 16

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Miscellaneous Statistical Data
June 30, 2018

Date of creation agreement					December 14, 1993
Date of ground breaking					September 8, 1995
Date operations began					March 16, 1998
Number of employee positions					
Uniformed (sworn)					277
Non-uniformed (non-sworn)					22
Total					<u>299</u>
Number of beds allotted					
	Initial Allocation	20% Additional at Reduced rate	Remaining Additional Allocation	Total Allocation	
City of Chesapeake	250	50	22	322	
City of Hampton	175	29	-	204	
City of Newport News	200	33	-	233	
City of Norfolk	250	42	-	292	
City of Portsmouth	250	42	-	292	
Total	<u>1,125</u>	<u>196</u>	<u>22</u>	<u>1,343</u>	
State rated capacity					
General population					522
State rated capacity of member City jails					
City of Chesapeake Jail					543
City of Hampton Jail					468
City of Newport News Jail					480
City of Norfolk Jail					833
City of Portsmouth Jail					288
Total five member cities					<u>2,612</u>
Vehicle miles driven during the fiscal year					<u>3,142,876</u>

Source: State certified capacity of member City jails was obtained from the Virginia Compensation Board.

TABLE 17

HAMPTON ROADS REGIONAL JAIL AUTHORITY

\$13,005,000 Refunding Revenue Bonds - Series 2015
 \$24,700,000 Refunding Revenue Bonds - Series 2013B
 \$3,345,000 Refunding Revenue Bonds - Series 2013A
 Debt Service Schedule Fiscal Year Ended June 30, 2018

Due Date	Principal	Interest	Total Debt Service	Total by Fiscal Year
10/01/18	5,000	298,766	303,766	
04/01/19	-	298,638	298,638	
07/01/19	2,750,000	512,506	3,262,506	3,864,909
10/01/19	5,000	298,638	303,638	
04/01/20	-	298,509	298,509	
07/01/20	2,810,000	455,183	3,265,183	3,867,329
10/01/20	5,000,000	298,509	303,509	
04/01/21	-	298,381	298,381	
07/01/21	2,870,000	390,159	3,260,159	3,862,050
10/01/21	5,000	298,381	303,381	
04/01/22	-	298,253	298,253	
07/01/22	2,945,000	314,913	3,259,913	3,861,547
10/01/22	5,000	298,253	303,253	
04/01/23	-	298,125	298,125	
07/01/23	3,035,000	227,213	3,262,213	3,863,591
10/01/23	5,000	298,125	303,125	
04/01/24	-	297,997	297,997	
07/01/24	3,125,000	132,648	3,257,648	3,858,769
10/01/24	5,000	297,997	302,997	
04/01/25	-	297,869	297,869	
07/01/25	260,000	32,400	292,400	893,266
10/01/25	3,015,000	297,869	3,312,869	
04/01/26	-	220,609	220,609	
07/01/26	265,000	24,600	289,600	3,823,078
10/01/26	3,165,000	220,609	3,385,609	
04/01/27	-	139,506	139,506	
07/01/27	275,000	16,650	291,650	3,816,766
10/01/27	3,295,000	139,506	3,434,506	
04/01/28	-	96,422	96,422	
07/01/28	280,000	-	280,000	3,810,928
10/01/28	3,435,000	88,022	3,523,022	3,523,022
Total	\$ 31,560,000	\$ 7,485,254	\$ 39,045,254	\$ 39,045,254

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedule of Insurance in Force
As of June 30, 2018

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Building and Personal Property & Extra Expense	VML Insurance Programs	6/30/2018	\$ 101,243,402	\$ 10,000
Flood	VML Insurance Programs	6/30/2018	\$ 5,000,000	\$ 25,000
Earthquake	VML Insurance Programs	6/30/2018	\$ 1,000,000	\$ 25,000
Boiler and Machinery	VML Insurance Programs	6/30/2018	\$ 40,000,000	\$ 1,000
Automobile Liability	VML Insurance Programs	6/30/2018	\$ 1,000,000	none
Workers' Compensation	VML Insurance Programs	6/30/2018	Required Statutory Limits	
Line of Duty	VML Insurance Programs	6/30/2018	Required Statutory Limits	
Crime Coverage	VML Insurance Programs	6/30/2018	\$ 100,000	1,000
Cyber Insurance	VML Insurance Programs	6/30/2018	\$ 1,000,000	none
Employers' Liability	Division of Risk Management	6/30/2018	\$ 1,000,000	none
Constitutional Officer General Liability - VaRisk (1)	Commonwealth of Virginia - Division of Risk Management	Continuous	\$ 1,000,000	none
Faithful Performance of Duty Bond (1)	Travelers Casualty and Surety Company of America	Continuous	\$ 30,000	none

(1) Provided by the Commonwealth of Virginia

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of
Hampton Roads Regional Jail Authority
Portsmouth, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Hampton Roads Regional Jail Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Hampton Roads Regional Jail Authority's basic financial statements and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Fawcett, Cox Associates

Charlottesville, Virginia

December 12, 2018