

# *Hampton Roads Regional Jail Authority*



## **Comprehensive Annual Financial Report**

FISCAL YEAR ENDED JUNE 30, 2019



# *Hampton Roads Regional Jail Authority*

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

2690 Elmhurst Lane  
Portsmouth, Virginia 23701-2745

Prepared by the Finance Division

David A. Hackworth  
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, 2019

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# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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## **HAMPTON ROADS REGIONAL JAIL AUTHORITY BOARD MEMBERS**

James E. Baker, City Manager, Chesapeake  
Alternate: Robert Geis, Deputy City Manager, Chesapeake, **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

Linda Curtis, City Council Member, Hampton  
Alternate: Chris Sneed, 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, **Vice Chair**  
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, City Manager, Newport News  
Alternate: Alan Archer, Assistant City Manager, Newport News

Martin A. Thomas, Jr., City Council Member, Norfolk  
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

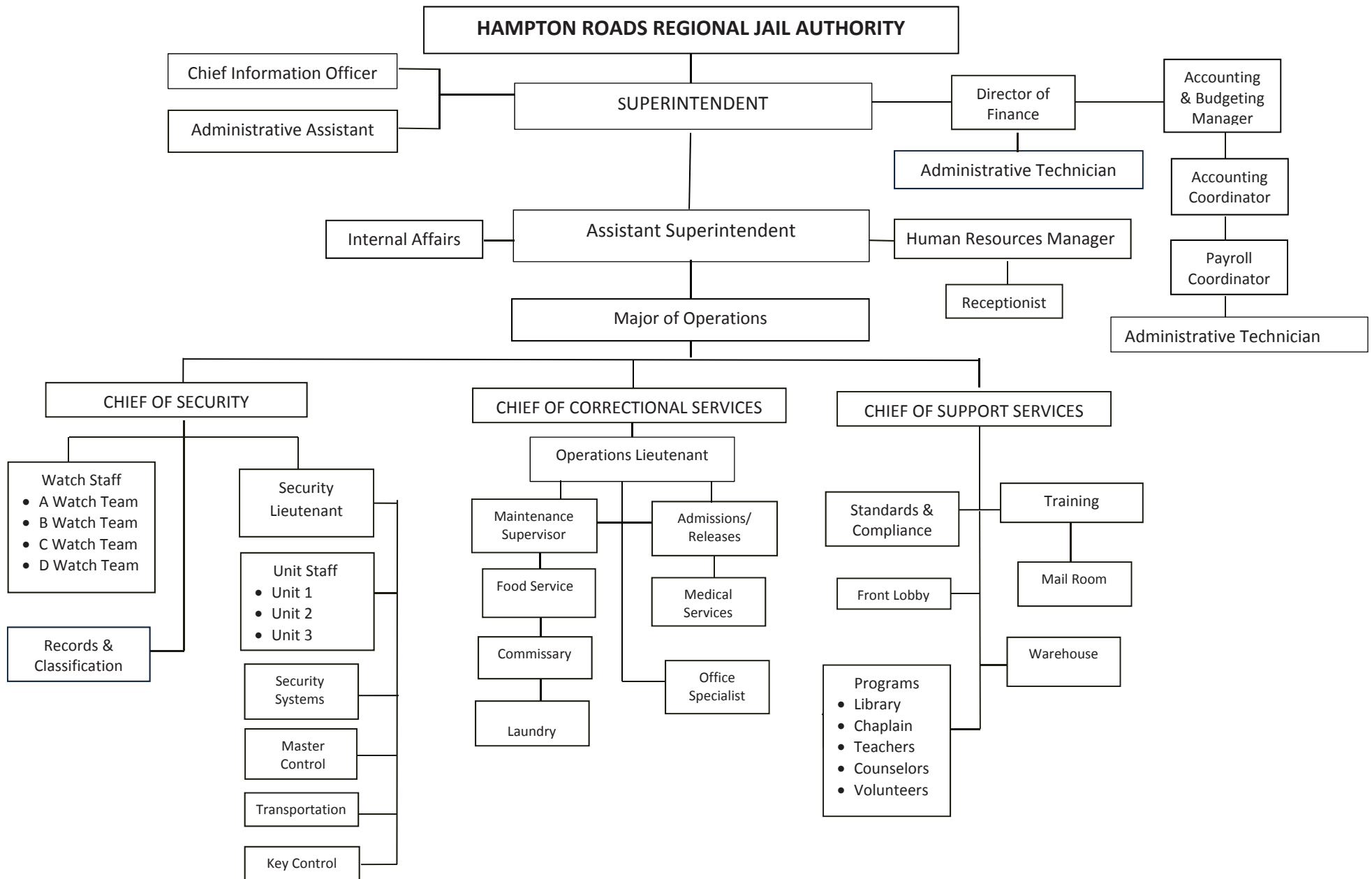
Michael Moore, Sheriff, Portsmouth  
Alternate: Lt. Colonel William Rucker, Chief Deputy, Portsmouth

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, 2019)**

David A. Hackworth, Colonel	Superintendent
Christopher J. Walz, Lt. Colonel	Assistant Superintendent
Felicia M. Cowan, Major	Major of Operations
Frank T. Ellis, Captain	Chief of Operations
Thurman D. Barnes, Captain	Chief of Security
Winston T. Bhagirath, Jr, Captain	Chief of Support Services
Cliff Hayes	Chief Information Officer
Vacant	Human Resources Manager
Deborah J. Hand	Director of Finance
Deanna L. Isom	Accounting & Budgeting Manager
Pamula L. Ellis, Lieutenant	Correctional Services
Karas J. Mack, Lieutenant	Operations
Heriberto Villanueva, Lieutenant	Security
Eric D. Jones, Lieutenant	Training
Tony Nash II, Lieutenant	Watch Commander
Jose'fina Holder, Lieutenant	Watch Commander
Earl Ward, Lieutenant	Watch Commander
Lawrence Nichols, Lieutenant	Watch Commander
Nicole M. Frey, Sergeant	Assistant Watch Commander
Risha M. Davis, Sergeant	Assistant Watch Commander
Sherre M. Cassells, Sergeant	Assistant Watch Commander
Mary M. Cheeseboro, Sergeant	Assistant Watch Commander
Dervin R. Jordan, Sergeant	Unit Manager
William A. Epperson, Sergeant	Unit Manager
Ernest P. Kelly, Sergeant	Unit Manager
Derrick R. Brown, Sergeant	Unit Manager
Alan V. Boyer, Sergeant	Unit Manager
Cardell T. Dickerson, Sergeant	Unit Manager
Katrina L. Evans, Sergeant	Unit Manager
Hilarie G. Whitehead, Sergeant	Unit Manager
Vacant	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
Tamara L. Everette, Sergeant	Transportation
Valencia M. Phillips, Sergeant	Training
Floyd H. Copeland III, Sergeant	Security Systems
Kuanasia K. Murphy, Sergeant	Standards /Compliance
Ebony N. Herelle, Sergeant	Records Supervisor
Sonya D. Cherry, 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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**Hampton Roads Regional Jail Authority  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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November 20, 2019

## **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, 2019. 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, 2019. 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, 2019, the current base rate is \$71.00 per inmate per day for member cities, with the exception of the host city, Portsmouth, which pays \$66.45. 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, 2019 were \$5,214,625 below budget. Transfers totaling \$940,688 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 \$758,644. The Authority finished the fiscal year with a favorable Operating Budget variance of \$6,436,526.

### **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.

The Authority has ordered new timekeeping software which will allow full integration of the timekeeping with the payroll system. This will allow employees real-time access to time sheets and leave balances.

### **Major Initiatives**

A large portion of the inmate population suffers from some form of mental illness. Therefore, beginning in 2020 the Authority plans to significantly enhance the security staffing and the mental health staffing to provide more comprehensive services for this segment of the population.

In FY2018 the Authority changed the leave accrual policy. Sworn officers below the rank of Captain now earn 8.5 hours of accelerated leave accrual each month in lieu of time off for recognized holidays.

### **Major Initiatives: (Continued)**

The Commonwealth of Virginia Board of Corrections conducted its triennial inspection in May, 2018. The Authority received an unconditional score of 100% compliance with all applicable standards. This certification was originally granted in 1999. Certification inspections are conducted every three years. The last Life, Health and Safety inspection was 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 score of 100% on all mandatory standards. 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 another extension of the Mental Health Pilot Program Grant from July 1, 2019 through June 30, 2020 in the amount of \$481,381. This is continuation of the original Grant that began January 1, 2017. The Authority was one of six jails awarded the grant by the Virginia Department of Criminal Justice Services. With this grant 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 hosting 9 forensic discharge planners from the CSB's and BHS's in its 5-member Jurisdictions under a second grant. This grant is provided through the Department of Behavioral Health and Developmental Services with Chesapeake Integrated Behavioral Health acting as the lead agency, to provide discharge planning services to the seriously mentally ill offenders at the Jail.

### **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, 2019.

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, 2018. This was the twentieth 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,

A handwritten signature in black ink, appearing to read "D. A. Hackworth".

David A. Hackworth  
Superintendent

A handwritten signature in black ink, appearing to read "Deborah J. Hand".

Deborah J. Hand  
Director of Finance

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## **FINANCIAL SECTION**





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**Independent Auditors' Report**

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**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, 2019, 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, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principles***

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

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 5-9 and 69-80 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.

### ***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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, 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 Farrow Cox Associates*

Charlottesville, Virginia  
November 15, 2019

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## **HAMPTON ROADS REGIONAL JAIL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019. 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 \$3.03 million, as a result of this year's operating and non-operating financial activities.
- Operating revenues increased approximately \$2.1 million over FY2018 revenues or 5.19%, while operating expenses increased by \$829 thousand, or 2.12%. The increase in operating revenues was the result of a reimbursement from a medical provider of \$377 thousand, the increase of Out of Compliance medical reimbursements of \$422 thousand and telephone revenue, which increased by \$87 thousand. The increase in operating expenditures was due in part to an increase in inmate medical cost of \$1.3 million and an increase in other purchased services expense of \$176 thousand.
- The Authority's investment in capital assets decreased by approximately \$2.7 million, or 8.74%.

### **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 \$3.035 million. Our analysis below focuses on the change in net position and the resulting changes in assets and liabilities.

	<b>2019</b>	<b>2018</b>	<b>Amount Change</b>	<b>% Change</b>
<b>(in thousands)</b>				
Capital assets	\$ 28,325	\$ 31,039	\$ (2,714)	(8.74)%
Restricted assets	4,032	3,972	60	1.51%
Current assets	<u>22,851</u>	<u>22,834</u>	<u>17</u>	<u>0.07%</u>
Total assets	<u>\$ 55,208</u>	<u>\$ 57,845</u>	<u>\$ (2,637)</u>	<u>(4.56)%</u>
Deferred outflows of resources	<u>\$ 3,711</u>	<u>\$ 3,592</u>	<u>\$ 119</u>	<u>3.31%</u>
Long-term liabilities	\$ 32,741	\$ 37,192	\$ (4,451)	(11.97)%
Current liabilities	<u>5,452</u>	<u>7,536</u>	<u>(2,084)</u>	<u>(27.65)%</u>
Total liabilities	<u>\$ 38,193</u>	<u>\$ 44,728</u>	<u>\$ (6,535)</u>	<u>(14.61)%</u>
Deferred inflows of resources	<u>\$ 2,824</u>	<u>\$ 1,842</u>	<u>\$ 982</u>	<u>53.31%</u>
Net investment in capital assets	\$ 349	\$ 489	\$ (140)	(28.63)%
Restricted	4,033	3,893	140	3.60%
Unrestricted	<u>13,520</u>	<u>10,485</u>	<u>3,035</u>	<u>28.95%</u>
Total net position	<u><u>\$ 17,902</u></u>	<u><u>\$ 14,867</u></u>	<u><u>\$ 3,035</u></u>	<u><u>20.41%</u></u>

## 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:

	<u>2019</u>	<u>2018</u>	<u>Amount Change</u>	<u>% Change</u>
<b>(in thousands)</b>				
Operating revenues				
Commonwealth of Virginia per diems, net	\$ 2,516	\$ 2,624	\$ (108)	(4.12)%
Commonwealth of Virginia reimbursements	11,563	11,141	422	3.79%
Member per diems	28,154	26,798	1,356	5.06%
Telephone revenue	466	379	87	22.96%
Inmates commissary sales commissions	363	381	(18)	(4.72)%
Inmates keep fees	112	128	(16)	(12.50)%
Employee canteen sales commissions	3	3	-	0.00%
Miscellaneous	464	35	429	1225.71%
Total operating revenues	<u>\$ 43,642</u>	<u>\$ 41,489</u>	<u>\$ 2,152</u>	<u>5.19%</u>
Nonoperating revenues				
Investment income	\$ 211	\$ 143	\$ 68	47.55%
Behavioral Health Grant	440	515	(75)	(14.56)%
Gain (loss) on disposal of capital assets	<u>3</u>	<u>(196)</u>	<u>199</u>	<u>101.53%</u>
Total revenues	<u>\$ 44,296</u>	<u>\$ 41,951</u>	<u>\$ 2,344</u>	<u>5.59%</u>
Operating expenses				
Jail operations				
Personal services	\$ 13,574	\$ 13,787	\$ (213)	(1.54)%
Employee benefits	4,387	4,748	(361)	(7.60)%
Medical services	12,004	10,677	1,327	12.43%
Other purchased services	2,498	2,322	176	7.58%
Other charges	2,676	2,658	18	0.68%
Materials and supplies	710	747	(37)	(4.95)%
Noncapital equipment	126	222	(96)	(43.24)%
Inmates commissary	357	375	(18)	(4.80)%
Employees canteen	4	3	1	33.33%
Behavioral Health Grant	371	487	(116)	(23.82)%
Depreciation	<u>3,340</u>	<u>3,191</u>	<u>149</u>	<u>4.67%</u>
Total operating expenses	<u>\$ 40,047</u>	<u>\$ 39,217</u>	<u>\$ 830</u>	<u>2.12%</u>
Nonoperating expenses				
Interest and fiscal charges	<u>\$ 1,214</u>	<u>\$ 1,275</u>	<u>\$ (61)</u>	<u>(4.78)%</u>
Total expenses	<u>\$ 41,261</u>	<u>\$ 40,492</u>	<u>\$ 769</u>	<u>1.90%</u>
Change in net position	\$ 3,035	\$ 1,459	\$ 1,576	108.02%
Beginning net position	<u>14,865</u>	<u>15,808</u>	<u>(943)</u>	<u>(5.97)%</u>
Ending net position	<u>\$ 17,900</u>	<u>\$ 17,267</u>	<u>\$ 633</u>	<u>3.67%</u>
Prior period adjustments	-	(2,402)	(2,402)	100.00%
Adjusted Ending net position	<u><u>\$ 17,900</u></u>	<u><u>\$ 14,865</u></u>	<u><u>\$ (1,768)</u></u>	<u><u>(11.89)%</u></u>

## Financial Analysis (Continued)

Operating revenues increased by 5.19% in FY2019 compared to FY2018. Member per diems increased \$1.36 million or 5.06% in FY2019. This was primarily due to a \$4 increase in the member per diem from \$65 to \$69. Commonwealth per diems decreased approximately 4.12%. Total revenue increased by \$2.34 million. Increased interest rates and investments with higher yields resulted in a 47.6% increase in Investment income for FY2019.

Operating expenses increased 2.12% from FY2018 to FY2019 due primarily to a 12.43% increase in inmate medical services and a 7.58% increase in other purchase services.

FY2019 was the second full year of the mental health pilot grant. Grant expenses decreased by \$116 thousand as compared to FY2018.

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 2019, the Authority had \$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 \$3.3 million.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, as of June 30, 2019 and 2018 (in thousands).

	<u>2019</u>	<u>2018</u>
Land	\$ 2,032	\$ 2,032
Buildings and improvements	64,888	64,713
Furnishings and equipment	2,928	2,739
Capitalized interest	9,283	9,283
Pre-opening costs	3,221	3,243
Automotive equipment	<u>931</u>	<u>866</u>
Total capital assets	83,283	82,876
Accumulated depreciation	<u>(54,958)</u>	<u>(51,837)</u>
Net capital assets	<u>\$ 28,325</u>	<u>\$ 31,039</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, 2018	\$ 31,039
Additions	635
Disposals	(228)
Depreciation	<u>(3,121)</u>
Balance at June 30, 2019	<u>\$ 28,325</u>

### Debt

At year-end, the Authority had a total par of \$28,805,000 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 2019. 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, 2019**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

## Current assets:

Cash and cash equivalents	\$ 14,249,709
Investments	3,461,608
Accounts receivable	41,347
Accrued interest receivable	7,226
Due from other governments	4,844,736
Inventories of supplies	156,876
Prepaid expenses	66,343
Cash held for inmate trust-restricted	22,858
Total current assets	<u>\$ 22,850,704</u>

## Long-term assets:

## Restricted assets:

Investments held by trustee - DSRF	\$ 1,999,045
Cash held by trustee - DSRF	2,033,564
Total restricted assets	<u>\$ 4,032,609</u>

## Capital assets:

Land	\$ 2,031,926
Work in progress	3,932
Buildings and improvements	64,886,714
Capitalized interest	9,282,649
Pre-opening costs	3,220,999
Furnishings and equipment	2,926,867
Automotive equipment	930,281
Subtotal	<u>\$ 83,283,368</u>
Less - accumulated depreciation	<u>(54,957,936)</u>
Capital assets, net	<u>\$ 28,325,431</u>

Total long-term assets \$ 32,358,041

Total assets \$ 55,208,745

## Deferred outflows of resources:

Deferred sources of outflows - 2013B & 2015A refunding bonds	\$ 1,790,226
Deferred sources of outflows - Pension	1,807,164
Deferred sources of outflows - OPEB	113,246
Total deferred outflows of resources	<u>\$ 3,710,636</u>

Total assets and deferred outflows of resources \$ 58,919,381

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

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position  
June 30, 2019 (Continued)**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

Current liabilities:	
Accounts payable	\$ 1,116,967
Accrued payroll liabilities	617,050
Accrued interest payable	149,319
Compensated absences - current	733,169
Bonds payable - current	2,815,000
Cash held for inmate trust	20,339
Total current liabilities	<u>\$ 5,451,843</u>
Long-term liabilities:	
Compensated absences	\$ 733,169
Net pension liability	1,863,442
Net OPEB liabilities	2,745,715
Bonds payable, net of issuance premiums	27,398,976
Total long-term liabilities	<u>\$ 32,741,302</u>
Total liabilities	<u>\$ 38,193,145</u>
Deferred inflows of resources:	
Deferred sources of inflows - Pension	\$ 964,161
Deferred sources of inflows - OPEB	<u>1,860,453</u>
Total deferred inflows of resources	<u>\$ 2,824,614</u>
Net position:	
Net investment in capital assets	\$ 349,469
Restricted for:	
Debt service reserve	4,032,609
Unrestricted	<u>13,519,543</u>
Total net position	<u>\$ 17,901,621</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 58,919,381</u></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, 2019

Operating revenues:	
Commonwealth of Virginia per diems, net of recoveries	\$ 2,516,366
Commonwealth of Virginia reimbursements	10,672,776
Commonwealth of Virginia - Out of Compliance Medical	890,360
Member per diems	28,154,058
Telephone revenue	466,098
Inmates commissary sales commissions	362,708
Inmates keep fees	112,073
Employees canteen sales commissions	3,159
USDJ OJP Bulletproof Vest	9,119
Miscellaneous revenues	454,526
	<u>454,526</u>
Total operating revenues	\$ <u>43,641,241</u>
Operating expenses:	
Jail operations:	
Personal services	\$ 13,574,392
Employee benefits	4,387,154
Medical services	12,003,746
Other purchased services	2,497,864
Other charges	2,675,649
Materials and supplies	710,211
Noncapital equipment	126,269
Inmates commissary	356,618
Employees canteen	3,526
Behavioral Health Grant	370,570
Depreciation and amortization	3,339,995
	<u>3,339,995</u>
Total operating expenses	\$ <u>40,045,993</u>
Operating income	\$ <u>3,595,249</u>
Nonoperating revenues (expenses):	
Behavioral Health Grant	\$ 439,640
Investment income	211,208
Gain (loss) on disposal of capital assets	2,964
Interest and fiscal charges	(1,214,249)
	<u>(1,214,249)</u>
Total nonoperating revenues (expenses)	\$ <u>(560,439)</u>
Change in net position	\$ 3,034,810
Total net position - beginning of year	\$ <u>14,866,811</u>
Total net position - end of year	\$ <u><u>17,901,621</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, 2019

Cash flows from operating activities:	
Receipts from clients	\$ 41,890,478
Payments to suppliers	(20,299,962)
Payments to and for employees	(18,816,018)
Other operating revenues	1,085,588
Other payments	(504,136)
Net cash provided by operating activities	<u>\$ 3,355,950</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (635,247)
Repayment of debt	(2,755,000)
Interest and fiscal charges paid	(1,109,845)
Sale of capital assets	2,964
Net cash used for capital and related financing activities	<u>\$ (4,497,128)</u>
Cash flows from investing activities:	
Interest received	\$ 223,790
Purchase of investments	843,687
Net cash provided by investing activities	<u>\$ 1,067,477</u>
Net increase in cash and cash equivalents	\$ (73,701)
Cash and cash equivalents at beginning of year	19,841,440
Cash and cash equivalents at end of year	<u>\$ 19,767,739</u>
Reconciliation of operating income to net cash from operating activities:	
Operating Income	<u>\$ 3,595,249</u>
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation and amortization	\$ 3,339,995
Behavioral health grant	439,640
Change in operating assets and deferred outflows of resources:	
Accounts receivable	(40,992)
Due from other governments	(782,722)
Inventories of supplies	15,897
Prepaid expenses	(58,144)
Deferred outflows of resources - pension	(351,006)
Deferred outflows of resources - OPEB	(49,254)
Change in operating liabilities and deferred inflows of resources:	
Accounts payable	(1,873,406)
Accrued payroll liabilities	34,181
Compensated absences	106,242
Net pension liability	125,729
Net OPEB liabilities	(1,703,304)
Deferred inflow of resources - pension	(655,569)
Deferred inflow of resources - OPEB	1,638,509
Unearned revenues	(281,103)
Inmates' account balances	(143,992)
Total adjustments	<u>\$ (239,299)</u>
Net cash provided by operating activities	<u>\$ 3,355,950</u>
Noncash investing activities:	
Increase in fair value of investments - Debt Service Reserve Fund	<u>\$ 12,764</u>
Noncash financing activities:	
Change in issuance premiums (including amortization)	\$ (179,547)
Change in deferred outflows of resources (losses on refundings)	281,701
Net change from noncash financing activities	<u>\$ 102,154</u>

The accompanying notes are an integral part of these financial statements

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019

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### **Note 1—Description of the Reporting Entity:**

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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:**

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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, 2019 (Continued)**

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

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#### **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, 2019 (Continued)

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

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#### 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 liabilities. 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 liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the pension and OPEB notes.

# **HAMPTON ROADS REGIONAL JAIL AUTHORITY**

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

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

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#### **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 refundings 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 Hampton Roads Regional Jail 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, 2019 (Continued)**

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

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#### **Other Postemployment Benefits (OPEB)**

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

#### **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, 2019 (Continued)

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### Note 3—Deposits and Investments:

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#### Deposits

At year-end, the carrying amount of the Authority's deposits with banks and savings institutions was \$14,271,538 and the bank balance was \$14,875,546. 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 \$4,032,609. The Authority invested \$1,999,045 in US Treasury Notes and \$2,033,564 is invested in the First American Government Obligation Fund-US Bank.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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, 2019, 73% was invested in “AAAm” rated money market funds and 27% is invested in “AAA” rated US Treasury Notes.

#### 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	\$ 3,461,608	\$ 3,461,608
Treasury Note	<u>1,999,045</u>	<u>1,999,045</u>
Total	<u>\$ 5,460,653</u>	<u>\$ 5,460,653</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. There are no withdrawal limitations or restrictions imposed on participants.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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, 2019:

Investment Type	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Treasury Note	\$ 1,999,045	\$ -	\$ -
First American Government Obligation	2,033,564	-	-
Total Investments	<u>\$ 4,032,609</u>	<u>\$ -</u>	<u>\$ -</u>

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

### Note 4—Capital Assets:

A summary of changes in capital assets follows:

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
<b>Non-depreciable Capital Assets</b>				
Land	\$ 2,031,926	\$ -	\$ -	\$ 2,031,926
Work in progress	-	3,932	-	3,932
Total non-depreciable capital assets	\$ 2,031,926	\$ 3,932	\$ -	\$ 2,035,858
<b>Depreciable Capital Assets</b>				
Buildings and improvements	\$ 64,713,113	\$ 176,850	\$ (3,249)	\$ 64,886,715
Capitalized interest	9,282,649	-	-	9,282,649
Pre-opening costs	3,242,516	-	(21,517)	3,220,999
Furnishings and equipment	2,739,292	336,262	(148,687)	2,926,867
Automotive equipment	866,265	118,204	(54,188)	930,280
Total depreciable capital assets	\$ 80,843,835	\$ 631,315	\$ (227,641)	\$ 81,247,510
<b>Less accumulated depreciation</b>				
Buildings and improvements	\$ 40,805,593	\$ 2,685,072	\$ (2,031)	\$ 43,488,634
Capitalized interest	6,244,066	319,850	-	6,563,917
Pre-opening costs	2,175,084	111,093	(14,331)	2,271,847
Furnishings and equipment	2,082,952	107,736	(148,403)	2,042,284
Automotive equipment	529,198	116,244	(54,188)	591,253
Accumulated depreciation	\$ 51,836,893	\$ 3,339,995	\$ (218,953)	\$ 54,957,936
Total depreciable capital assets, net	\$ 29,006,943	\$ (2,708,680)	\$ (8,688)	\$ 26,289,574
Capital assets, net	\$ 31,038,869	\$ (2,704,748)	\$ (8,688)	\$ 28,325,432

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, 2019 (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 is 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 \$28,805,000.

Following is a summary of changes in bonds payable for the year ended June 30, 2019.

	Balance			Balance	Amounts
	July 1, 2018	Additions	Deletions	June 30, 2019	Due Within One Year
Direct Borrowings and Placements:					
Series 2013A	\$ 2,495,000	\$ -	\$ 225,000	\$ 2,270,000	\$ 230,000
Series 2013B	16,120,000	-	2,525,000	13,595,000	2,580,000
Series 2015A	12,945,000	-	5,000	12,940,000	5,000
Subtotal	\$ 31,560,000	\$ -	\$ 2,755,000	\$ 28,805,000	\$ 2,815,000
Issuance Premiums	\$ 1,588,523	\$ -	\$ 179,547	\$ 1,408,976	\$ -
Total	\$ 33,148,523	\$ -	\$ 2,934,547	\$ 30,213,976	\$ 2,815,000

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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, 2019 are as follows:

Year Ending June 30,	Direct Borrowings and Placements		
	Principal	Interest	Total
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	3,130,000	728,770	3,858,770
2025-29	13,995,000	1,872,059	15,867,059
	<u>\$ 28,805,000</u>	<u>\$ 6,375,345</u>	<u>\$ 35,180,345</u>

Upon the occurrence of an Event of Default, the trustee may, and if requested by the owners, by notice to the authority, declare the entire unpaid principal of and interest on the bonds due and payable. Upon any such declaration, the Authority will pay to the owners of the bonds the entire unpaid principal of and accrued interest on the bonds, but only from the net revenues and other funds of the authority pledged to such payment.

The Authority was in compliance with all significant financial covenants in the bond indentures at June 30, 2019. 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 FY2019 the Authority's net revenue was 2.86 times the senior debt service.

### Note 6—Compensated Absences:

The liability for vested annual leave at June 30, 2019 is as follows:

	Balance			Amounts	
	June 30, 2018	Additions	Deletions	June 30, 2019	Due Within One Year
Annual leave	\$ 1,339,578	\$ 901,751	\$ (774,991)	\$ 1,466,338	\$ 733,169
Holiday leave	<u>20,517</u>	<u>-</u>	<u>(20,517)</u>	<u>-</u>	<u>-</u>
Total compensated absences	<u>\$ 1,360,095</u>	<u>\$ 901,751</u>	<u>\$ (795,508)</u>	<u>\$ 1,466,338</u>	<u>\$ 733,169</u>

\* Holiday accrual rolled in with annual accrual beginning January 1, 2019.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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### Note 7—Pension Plan:

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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.

#### *Benefit Structures*

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

### Note 7—Pension Plan: (Continued)

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

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

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

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

#### *Employees Covered by Benefit Terms*

As of the June 30, 2017 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	77
Inactive members:	
Vested inactive members	24
Non-vested inactive members	101
Inactive members active elsewhere in VRS	107
Total inactive members	232
Active members	271
Total covered employees	580

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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### Note 7–Pension Plan: (Continued)

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#### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Hampton Roads Regional Jail Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 12.85% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Hampton Roads Regional Jail Authority were \$1,510,000 and \$1,456,158 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### *Net Pension Liability*

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Hampton Roads Regional Jail Authority, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

#### *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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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### Note 7–Pension Plan: (Continued)

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

##### Mortality rates:

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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#### Note 7–Pension Plan: (Continued)

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

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

##### Largest 10 – Non-Hazardous Duty:

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

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

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

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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### Note 7–Pension Plan: (Continued)

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#### *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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of 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.

#### 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.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

### Note 7–Pension Plan: (Continued)

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period 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, 2019 (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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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, 2017	\$ 39,888,310	\$ 38,150,597	\$ 1,737,713
Changes for the year:			
Service cost	\$ 1,858,503	\$ -	\$ 1,858,503
Interest	2,748,121	-	2,748,121
Differences between expected and actual experience	410,586	-	410,586
Contributions - employer	-	1,456,158	(1,456,158)
Contributions - employee	-	600,347	(600,347)
Net investment income	-	2,861,156	(2,861,156)
Benefit payments, including refunds of employee contributions	(1,258,873)	(1,258,873)	-
Administrative expenses	-	(23,587)	23,587
Other changes	-	(2,593)	2,593
Net changes	\$ 3,758,337	\$ 3,632,608	\$ 125,729
Balances at June 30, 2018	\$ 43,646,647	\$ 41,783,205	\$ 1,863,442

#### 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)	\$ 7,956,639	\$ 1,863,442	\$ (3,204,075)

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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, 2019, the Hampton Roads Regional Jail Authority recognized pension expense of \$629,154. At June 30, 2019, 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	\$ 297,164	\$ 177,894
Change in assumptions	-	390,608
Net difference between projected and actual earnings on pension plan investments	-	395,659
Employer contributions subsequent to the measurement date	<u>1,510,000</u>	<u>-</u>
Total	<u>\$ 1,807,164</u>	<u>\$ 964,161</u>

\$1,510,000 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (122,738)
2021	(194,927)
2022	(316,611)
2023	(32,721)
2024	-
Thereafter	-

#### *Pension Plan Data*

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

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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#### **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, 2019 (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>
Comprehensive Dental:			
Key Advantage Expanded (PPO)	\$872	\$1,613	\$2,354
High Deductible	\$724	\$1,339	\$1,955
Preventative Dental:	\$576	\$1,066	\$1,555
Key Advantage Expanded (PPO)	\$856	\$1,584	\$2,311
Key Advantage 500 (PPO)	\$708	\$1,310	\$1,912
High Deductible	\$560	\$1,036	\$1,512
Advantage 65 (PPO)	\$201	N/A	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, 2019 (Continued)

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

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#### Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total Active employees with coverage	218
Total retirees with coverage	15
Total retirees without coverage	10
Total	<u>243</u>

#### 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, 2019. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Total OPEB Liability	\$ 3,483,019	\$ 1,799,715
Covered Payroll	10,611,500	10,353,129
Total OPEB Liability as a % of Covered Payroll	32.82%	17.38%

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

#### Actuarial Assumptions

The following actuarial methods and assumptions were used in the Authority's June 30, 2018 OPEB valuation.

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

	June 30, 2018	June 30, 2019
Valuation Timing	June 30, 2016	July 1 2018
Measurement Date	June 30, 2018	June 30, 2019
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	3.87%	3.50%
20 Year Tax-Exempt Municipal Bond Yield	3.87%	3.50%
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. 6.30% in 2018, grading to an ultimate rate of 4.90% in 2022.
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-2014 Employee Mortality projected to 2020: Males set back 1 yr, Females set back 1 year (Public Safety set forward 1 year)
Post-Retirement	RP-2000 Combined Healthy Mortality projected to 2020, Females set back 1 year	RP-2014 Combined Healthy Mortality projected to 2020, Males set forward 1 year, Females set back 1 year (Public Safety set forward 3 years)
Post-Disablement	RP-2000 Disabled Mortality - Males set back 3 years and no provision for future mortality improvement	RP-2014 Disabled Mortality projected to 2020: Males 115%, Females 130% of rates, Public Safety set forward 2 yrs - unisex using 100% male
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, 2019 (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 most recent experience study of the Virginia Retirement System.

#### Changes in Total OPEB Liability

	<u>Increase or (Decrease)</u>
Balances at June 30, 2018	\$ 3,483,019
Changes for the year:	
Service cost	\$ 190,013
Interest on Total OPEB Liability	113,141
Effect of Economic/Demographic Gains or Losses	(740,871)
Effect of Assumptions Changes or Inputs	(1,228,136)
Benefit payments	<u>(17,451)</u>
Balance at June 30, 2019	<u><u>\$ 1,799,715</u></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 3.50%. It also presents what the Authority's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.50%) and one percentage point higher than (4.50%) the current rate.

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>2.50%</u>	<u>3.50%</u>	<u>4.50%</u>
Hampton Roads Regional Jail Authority			
Total OPEB Liability	\$ 1,953,351	\$ 1,799,715	\$ 1,658,429

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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.

	<b>Rate</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>6.1% decreasing to 3.1%</b>	<b>7.1% decreasing to 4.1%</b>	<b>8.1% decreasing to 5.1%</b>
Hampton Roads Regional Jail Authority			
Total OPEB Liability	\$ 1,596,131	\$ 1,799,715	\$ 2,035,505

#### OPEB Expense

	<b>July 1, 2018 to June 30, 2019</b>
Service Cost	\$ 190,013
Interest on Total OPEB Liability	113,141
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(115,761)
Recognition of Assumption Changes or Inputs	(216,737)
OPEB Expense	\$ <u>(29,344)</u>

#### Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the Authority reported deferred inflows and outflows of resources related to OPEB as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	\$ -	\$ 625,110
Changes of Assumptions	-	1,098,343
Total	\$ <u>-</u>	\$ <u>1,723,453</u>

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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#### **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.

<b><u>Year Ended June 30</u></b>	
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2020	\$ (332,498)
2021	(332,498)
2022	(320,078)
2023	(307,657)
2024	(307,657)
Thereafter	(123,065)

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:

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#### ***Plan Description***

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

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

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

#### ***Eligible Employees***

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

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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#### *Benefit Amounts*

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

#### *Contributions*

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$62,716 and \$61,987 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of \$945,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .06221% as compared to .06412% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$(3,000). 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.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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)*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,000	\$ 17,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	31,000
Change in assumptions	-	39,000
Changes in proportion	-	50,000
Employer contributions subsequent to the measurement date	62,716	-
Total	<u>\$ 108,716</u>	<u>\$ 137,000</u>

\$62,716 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (22,000)
2021	(22,000)
2022	(22,000)
2023	(15,000)
2024	(5,000)
Thereafter	1,000

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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#### *Actuarial Assumptions*

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

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

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

#### **Mortality Rates – 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.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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##### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates – General State Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered 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%

##### **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.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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##### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates – Teachers: (Continued)**

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

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

##### **Mortality Rates – 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.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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##### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates – SPORS Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 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%

##### **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.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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##### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates – VaLORS Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 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%

##### **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.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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##### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates – JRS Employees: (Continued)**

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

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

##### **Mortality Rates – Largest Ten Locality Employers – General Employees**

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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

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#### *Actuarial Assumptions: (Continued)*

#### **Mortality Rates – Largest Ten Locality Employers – General Employees: (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages 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.

##### 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, 2019 (Continued)

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

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##### *Actuarial Assumptions: (Continued)*

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

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages 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, 2019 (Continued)

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

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##### *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, 2019 (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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

#### **NET GLI OPEB Liability**

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

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

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

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

## Notes to Financial Statements June 30, 2019 (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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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#### Note 9—Group Life Insurance Program OPEB: (Concluded)

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##### *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	\$ 1,235,000	\$ 945,000	\$ 710,000

##### *Group Life Insurance Program Fiduciary Net Position*

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

#### Note 10—Virginia Local Disability Program (VLDP):

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##### *Plan Description*

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). 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.

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

##### *Eligible Employees*

The Political Subdivision VLDP was implemented January 1, 2014 to provide disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. 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 VLDP.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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#### Note 10–Virginia Local Disability Program (VLDP): (Continued)

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##### *Benefit Amounts*

The VLDP 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.

The VLDP 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.

##### *VLDP 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, 2019 was 0.72% of covered employee compensation for employees in the VRS Political Subdivision VDLP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 VDLP were \$4,350 and \$2,005 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, 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, 2018 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 Hampton Roads Regional Jail Authority's proportion of the Net VLDP OPEB Liability was based on the Hampton Roads Regional Jail Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Hampton Roads Regional Jail Authority's proportion of the VLDP was .13760% as compared to .06415% at June 30, 2018.

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

### Note 10—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)*

For the year ended June 30, 2019, the Hampton Roads Regional Jail Authority recognized VLDP OPEB expense of \$2,000. Since there was a change in proportionate share between measurement dates a portion of the VLDP Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the Hampton Roads Regional Jail 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	\$ <u>4,530</u>	\$ <u>-</u>
Total	\$ <u><u>4,530</u></u>	\$ <u><u>-</u></u>

\$4,350 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, 2020.

#### *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:	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, 2019 (Continued)

### Note 10–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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each 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, 2019 (Continued)

### Note 10—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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each 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 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, 2018, NOL amounts for the VRS Political Subdivision VLDP is as follows (amounts expressed in thousands):

		<b>Political Subdivision VLDP OPEB Plan</b>
Total Political Subdivision VLDP OPEB Liability	\$	1,588
Plan Fiduciary Net Position		816
Political Subdivision net VLDP OPEB Liability (Asset)	\$	<u>772</u>
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		51.39%

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

### Note 10—Virginia Local Disability Program (VLDP): (Continued)

#### *Net VLDP OPEB Liability (Continued)*

The total Political Subdivision 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 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, 2019 (Continued)

### Note 10—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 ended June 30, 2018, the rate contributed by the Hampton Roads Regional Jail Authority for the VLDP was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the Net VLDP OPEB Liability	\$ 1,000	\$ 1,000	\$ 1,000

#### **OPEB Aggregate Totals**

	Deferred Outflows of Resources	Net OPEB Liabilities	Deferred Inflows of Resources	Expense
Retiree Plan	\$ -	\$ 1,799,715	\$ 1,723,453	\$ (29,344)
GLI	108,716	945,000	137,000	(3,000)
VLDP	4,530	1,000	-	2,000
Totals	\$ <u>113,246</u>	\$ <u>2,745,715</u>	\$ <u>1,860,453</u>	\$ <u>(30,344)</u>

# HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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### Note 10–Virginia Local Disability Program (VLDP): (Concluded)

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#### *VLDP OPEB Fiduciary Net Position*

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

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

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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, 2019 was \$87,227.

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

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#### Note 12–Due From (To) Other Governments:

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Amounts due from (to) other governments at June 30, 2019 are as follows:

From (to) the Commonwealth of Virginia:	
Per diem	\$ 775,240
Reimbursements	861,072
Out of Compliance Medical	529,634
From member cities:	
City of Chesapeake	517,500
City of Hampton	738,695
City of Newport News	420,960
City of Norfolk	518,260
City of Portsmouth	483,375
Total	<u>\$ 4,844,736</u>

#### Note 13–Litigation:

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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 November 15, 2019.

#### Note 14–Adoption of Accounting Principles:

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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 for periods beginning after December 15, 2018 and the Authority will implement in FY 2020.

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 for periods beginning after December 15, 2019. At this time, the Authority does not have any leases.

## **HAMPTON ROADS REGIONAL JAIL AUTHORITY**

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

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#### **Note 14–Adoption of Accounting Principles: (Concluded)**

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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 – Bonds 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 is for periods beginning after December 15, 2019. At this time, the Authority is in the pre-bid stage for construction projects.

#### **Note 15–Commitments:**

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There were outstanding construction commitments of \$400,259 at June 30, 2019.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ 1,858,503	\$ 1,915,562	\$ 1,915,605	\$ 1,883,005	\$ 1,810,330
Interest	2,748,121	2,600,374	2,381,256	2,204,830	1,978,110
Differences between expected and actual experience	410,586	(253,160)	(22,431)	(893,974)	-
Changes in assumptions	-	(793,296)	-	-	-
Benefit payments, including refunds of employee contributions	(1,258,873)	(1,458,745)	(829,583)	(517,420)	(581,740)
<b>Net change in total pension liability</b>	\$ 3,758,337	\$ 2,010,735	\$ 3,444,847	\$ 2,676,441	\$ 3,206,700
<b>Total pension liability - beginning</b>	39,888,310	37,877,575	34,432,728	31,756,287	28,549,587
<b>Total pension liability - ending (a)</b>	<u>\$ 43,646,647</u>	<u>\$ 39,888,310</u>	<u>\$ 37,877,575</u>	<u>\$ 34,432,728</u>	<u>\$ 31,756,287</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 1,456,158	\$ 1,456,290	\$ 1,657,364	\$ 1,631,376	\$ 1,805,628
Contributions - employee	600,347	604,855	594,812	612,289	567,988
Net investment income	2,861,156	4,132,170	601,656	1,352,935	3,750,530
Benefit payments, including refunds of employee contributions	(1,258,873)	(1,458,745)	(829,583)	(517,420)	(581,740)
Administrative expense	(23,587)	(22,802)	(18,497)	(16,509)	(18,507)
Other	(2,593)	(3,728)	(244)	(293)	197
<b>Net change in plan fiduciary net position</b>	\$ 3,632,608	\$ 4,708,040	\$ 2,005,508	\$ 3,062,378	\$ 5,524,096
<b>Plan fiduciary net position - beginning</b>	38,150,597	33,442,527	31,437,019	28,374,641	22,850,545
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 41,783,205</u>	<u>\$ 38,150,597</u>	<u>\$ 33,442,527</u>	<u>\$ 31,437,019</u>	<u>\$ 28,374,641</u>
<b>Authority's Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 1,863,442</u>	<u>\$ 1,737,713</u>	<u>\$ 4,435,048</u>	<u>\$ 2,995,709</u>	<u>\$ 3,381,646</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	95.73%	95.64%	88.29%	91.30%	89.35%
<b>Covered payroll</b>	\$ 11,763,030	\$ 11,742,609	\$ 11,798,819	\$ 11,602,945	\$ 11,308,103
<b>Authority's net pension liability (asset) as a percentage of covered payroll</b>	15.84%	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, 2010 through June 30, 2019

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2019	\$ 1,510,000	\$ 1,510,000	\$ -	\$ 11,808,262		13%
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%

Notes to Required Supplementary Information  
Pension Plan  
For the Year Ended June 30, 2019

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**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 10 – Non-Hazardous Duty:**

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

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

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

**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%

Schedule of Changes in Total OPEB Liability and Related Ratios  
For the Years Ended June 30, 2018 through June 30, 2019

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 190,013	\$ 352,597
Interest on Total OPEB Liability	113,141	122,542
Effect of Economic/Demographic Gains or (Losses)	(740,871)	-
Effect of Assumption Changes or Inputs	(1,228,136)	(111,785)
Benefit Payments	<u>(17,451)</u>	<u>(57,409)</u>
Net Change in total OPEB Liability	\$ (1,683,304)	\$ 305,945
 Total OPEB Liability, Beginning of Year	 <u>3,483,019</u>	 <u>3,177,074</u>
Total OPEB Liability, End of Year	<u>\$ 1,799,715</u>	<u>\$ 3,483,019</u>
 Covered Payroll	 \$ 10,353,129	 \$ 10,611,500
Total OPEB Liability as of % of covered Payroll	17.38%	32.82%

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

Notes to Required Supplementary Information  
 Retiree Health Plan  
 For the Year Ended June 30, 2019

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Valuation Date: 6/30/2018  
 Measurement Date: 6/30/19

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, 2018</u>	<u>June 30, 2019</u>
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay	Entry Age Normal, Level Percentage of Pay
Discount Rate	3.87%	3.5%
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. 6.30% in 2017 grading to an ultimate rate of 4.90% in 2022
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-2014 Employee Mortality projected to 2020: Males set back 1 yr, Females set back 1 year (Public Safety set forward 1 year)
Post-Retirement	RP-2000 Combined Healthy Mortality projected to 2020, Females set back 1 year	RP-2014 Combined Healthy Mortality projected to 2020, Males set forward 1 year, Females set back 1 year (Public Safety set forward 3 years)
Post-Disablement	RP-2000 Disabled Mortality - Males set back 3 years and no provision for future mortality improvement	RP-2014 Disabled Mortality projected to 2020: Males 115%, Females 130% of rates, Public Safety set forward 2 yrs - unisex using 100% male

## Schedule of Authority's Share of Net OPEB Liability

## Group Life Insurance Program

For the Measurement Dates of June 30, 2017 through June 30, 2018

<b>Date</b>	<b>Employer's Proportion of the Net GLI OPEB Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
2018	0.06221% \$	945,000 \$	11,829,454	7.99%	51.22%
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, 2010 through June 30, 2019

<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2019	\$ 62,716	\$ 62,716	\$ -	\$ 11,975,217	0.52%
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%

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

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**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, 2019 (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 Measurement Dates of June 30, 2017 through June 30, 2018

<b>Date</b> <b>(1)</b>	<b>Employer's Proportion of the Net VLDP OPEB Liability (Asset)</b> <b>(2)</b>	<b>Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset)</b> <b>(3)</b>	<b>Employer's Covered Payroll</b> <b>(4)</b>	<b>Employer's Proportionate Share of the Net VLDP OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total VLDP OPEB Liability (6)</b>
2018	0.13760% \$	1,000 \$	334,092	0.30%	51.39%
2017	0.06415%	1,000	117,789	0.85%	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, 2010 through June 30, 2019

Date	Contributions in Relation to		Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2019	\$ 4,530	\$ 4,530	\$ -	\$ 632,226	0.72%
2018	2,005	2,005	-	334,092	0.60%
2017	707	707	-	117,789	0.60%
2016	106	106	-	17,646	0.60%

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, 2019

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**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, 2019**

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#### **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-19 was \$42,868,335 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 to the rollover of prior year encumbrances of inmate medical, capital appropriations and the renewal of the Mental Health Grant resulting in a net budget increase of \$3,325,624 and a final budget of \$46,193,959.

Actual operating revenues were greater than estimated revenues by \$758,644. This revenue increase was primarily due to an increase in Out of Compliance medical reimbursements, investment revenues and reimbursements from a medical provider. Operating expenditures including debt service were \$5,518,711 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 of 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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Operating Expenditures				
Personal services	\$ 14,093,531	\$ 14,093,531	\$ 13,574,392	\$ 519,139
Employee benefits	6,404,519	6,242,519	4,387,154	1,855,365
Medical services	11,400,000	12,806,496	12,003,746	802,750
Other purchased services	2,441,000	2,615,501	2,497,864	117,637
Other charges	2,838,950	2,791,450	2,675,649	115,801
Materials and supplies	658,000	740,998	710,211	30,787
Capital outlay	380,000	1,649,367	126,269	1,523,098
Inmates commissary	375,000	378,258	356,618	21,640
Employees canteen	4,000	4,004	3,526	478
Grant	-	598,500	370,570	227,930
Debt service	4,273,335	4,273,335	3,969,249	304,086
Total operating expenditures and debt service	<u>\$ 42,868,335</u>	<u>\$ 46,193,959</u>	<u>\$ 40,675,248</u>	<u>\$ 5,518,711</u>
Add:				
Prior year budget expenditures carried over to current year			\$ 57,765	
Unbudgeted depreciation			3,339,995	
Amortization of deferred amount and premium on refunding bonds			106,242	
Increase in unbudgeted compensated absences			126,759	
Less:				
Decrease in VRS Pension expense			(880,846)	
Decrease in unbudgeted OPEB liabilities			(114,049)	
Capitalized items			(635,247)	
Current year budget obligations carried over to subsequent year			(1,182,622)	
Total operating expenses including debt service			<u>\$ 41,493,244</u>	

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual  
Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget (over) under
Operating Revenues				
Commonwealth of Virginia reimbursement	\$ 2,650,000	\$ 2,650,000	\$ 2,516,366	\$ 133,634
Commonwealth of Virginia per diems, net	10,750,000	10,750,000	11,563,136	(813,136)
Member per diems	28,326,738	28,326,738	28,154,058	172,681
Telephone revenues	440,000	440,000	466,098	(26,098)
Inmates commissary	375,000	375,000	362,708	12,292
Inmates keep fees	128,000	128,000	112,073	15,927
Commonwealth Grant Funds	-	598,500	439,640	158,860
Employees canteen	4,000	4,000	3,159	841
Miscellaneous revenues	50,000	50,000	463,645	(413,645)
Total operating revenues	\$ 42,723,738	\$ 43,322,238	\$ 44,080,882	\$ (758,644)
Operating Expenditures				
Personal services	\$ 14,093,531	\$ 14,093,531	\$ 13,574,392	\$ 519,139
Employee benefits	\$ 6,404,519	\$ 6,242,519	\$ 4,387,154	\$ 1,855,365
Medical services	\$ 11,400,000	\$ 12,806,496	\$ 12,003,746	\$ 802,750
Other purchased services				
Legal services	\$ 30,000	\$ 45,000	\$ 36,061	\$ 8,940
Cert. Public Accountants	30,000	33,000	33,000	-
Training Academy	70,000	68,854	68,854	-
Computer Services	225,000	242,000	190,887	51,113
Inmate Beneficial Services	35,000	1,496	1,496	0
Staff Screening and Testing	40,000	49,500	44,360	5,141
Financial Advisory Services	15,000	10,000	10,000	-
Maint. Automotive Equipment	60,000	79,000	68,808	10,192
Radio Maintenance	16,000	14,200	9,224	4,976
Public advertising	5,000	5,050	3,503	1,547
Food services	1,200,000	1,241,146	1,247,993	(6,847)
Maintenance services	570,000	628,255	598,297	29,958
Other purchased services	145,000	198,000	185,382	12,618
Total purchased services	\$ 2,441,000	\$ 2,615,501	\$ 2,497,864	\$ 117,637
Other charges				
Telecommunications	\$ 80,000	\$ 49,342	\$ 45,313	\$ 4,029
Utilities	1,913,450	1,762,663	1,668,621	94,042
Payment in lieu of taxes	505,000	531,035	531,035	-
Insurance	258,000	322,806	322,805	1
Postage	6,000	7,604	6,308	1,296
Equipment rental and maintenance	35,500	38,000	34,131	3,869
Car allowance/mileage	2,500	2,500	-	2,500
Miscellaneous	5,000	5,750	5,705	45
Training and travel	30,000	62,500	58,523	3,977
Dues/memberships	3,500	9,250	3,209	6,041
Total other charges	\$ 2,838,950	\$ 2,791,450	\$ 2,675,649	\$ 115,801

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual  
Fiscal Year Ended June 30, 2019 (Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget (over) under
Materials and supplies				
Office and miscellaneous supplies	\$ 40,000	\$ 41,500	\$ 38,136	\$ 3,364
Security supplies	45,000	14,454	22,821	(8,367)
Maintenance parts and supplies	150,000	172,166	152,925	19,241
Uniforms	78,000	138,949	130,632	8,317
Inmate bedding and clothing	150,000	183,040	175,121	7,919
Laundry and janitorial supplies	165,000	181,238	182,884	(1,646)
Other jail materials and supplies	30,000	9,651	7,693	1,958
Total materials and supplies	\$ 658,000	\$ 740,998	\$ 710,211	\$ 30,787
Capital outlay	\$ 380,000	\$ 1,649,367	\$ 126,269	\$ 1,523,098
Grant Expenses	\$ -	\$ 598,500	\$ 370,570	\$ 227,930
Inmates commissary	\$ 375,000	\$ 378,258	\$ 356,619	\$ 21,639
Employees canteen	\$ 4,000	\$ 4,004	\$ 3,526	\$ 478
Total operating expenditures	\$ 38,595,000	\$ 41,920,624	\$ 36,705,999	\$ 5,214,625
Excess (deficit) of operating revenues (over) under operating expenditures	\$ 4,128,738	\$ 1,401,614	\$ 7,374,882	\$ (5,973,268)
Nonoperating revenues				
Gain (loss) on disposal of property	\$ -	\$ -	\$ 2,964	\$ (2,964)
Investment income	55,000	55,000	211,208	(156,208)
Total nonoperating revenues	\$ 55,000	\$ 55,000	\$ 214,172	\$ (159,172)
Nonoperating expenses				
Debt service				
Principal	\$ 2,755,000	\$ 2,755,000	\$ 2,755,000	\$ -
Interest and fiscal charges	1,518,335	1,518,335	1,214,249	304,086
Total debt service	\$ 4,273,335	\$ 4,273,335	\$ 3,969,249	\$ 304,086
Excess (deficit) of revenues (over) under expenditures	\$ (89,597)	\$ (2,816,721)	\$ 3,619,805	\$ (6,436,526)
Net position - July 1, 2018, as adjusted			\$ 14,866,811	
Prior year budget expenditures carried over to current year			(57,765)	
Depreciation			(3,339,995)	
Decrease in OPEB expenses			114,049	
Decrease in VRS Pension			880,846	
Capital additions			635,247	
Current year budget obligations carried over to subsequent year			1,182,622	
Net position - June 30, 2019			\$ 17,901,621	

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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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	\$ 349,469	\$ 489,069	\$ 617,069	\$ 230,685	\$ (29,743)	\$ 309,452	\$ 977,085	\$ 1,573,904	\$ 2,394,176	\$ 3,420,254
Restricted	4,032,609	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
Unrestricted	13,519,543	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
Total net position	\$ <u>17,901,621</u>	\$ <u>14,866,811</u>	\$ <u>15,808,835</u>	\$ <u>13,202,967</u>	\$ <u>8,664,054</u>	\$ <u>12,303,374</u>	\$ <u>18,284,439</u>	\$ <u>20,097,157</u>	\$ <u>21,257,050</u>	\$ <u>23,650,952</u>

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

TABLE 2

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Changes in Net Position  
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues:										
Commonwealth of Virginia:										
Reimbursements	\$ 10,672,776	\$ 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
Per diems, net of recoveries	2,516,366	2,623,976	2,672,390	2,820,066	2,571,432	2,458,120	712,519	(20,641)	(607,639)	231,583
Federal pass thru grants	-	-	-	-	-	-	-	-	-	562,300
Out of Compliance Medical	890,360	503,852	1,236,421	299,358	-	-	-	-	-	-
Commonwealth Grant Funds	439,640	514,935	132,136	-	-	-	-	-	-	-
Member per diems	28,154,058	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
ICE per diems	-	-	-	-	-	42,008	6,410,640	8,797,146	9,602,260	8,534,729
New Member Buy In	-	-	1,000,000	1,000,000	1,000,000	-	-	-	-	-
Telephone revenue	466,098	379,082	432,520	352,686	356,604	360,400	564,000	566,156	560,000	559,656
Inmates commissary sales commissions	362,708	380,730	382,707	349,107	258,860	220,883	272,843	302,905	318,741	333,162
Inmates keep fees	112,073	127,934	128,277	130,886	106,881	97,379	95,219	94,028	111,805	-
Employees canteen sales commissions	3,159	2,895	3,903	6,336	5,295	5,402	5,726	6,792	4,504	2,784
Miscellaneous revenues	463,645	35,406	19,120	23,738	18,234	233,525	54,378	76,058	108,202	78,914
Total revenues	\$ 44,080,882	\$ 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
Operating expenses:										
Jail operations										
Personal services	\$ 13,574,392	\$ 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
Employee benefits	4,387,154	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
Medical services	12,003,746	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
Other purchased services	2,497,864	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
Other charges	2,675,649	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
Materials and supplies	710,211	747,073	562,587	743,079	579,516	589,227	599,338	608,233	639,571	597,351
Noncapital equipment	126,269	221,480	219,757	156,636	102,596	102,425	106,697	60,705	65,534	29,580
Inmates commissary	356,619	374,606	260,149	257,781	258,860	218,027	297,485	343,815	321,443	295,162
Employees canteen	3,526	2,948	5,000	2,713	6,612	7,420	9,581	6,825	4,648	2,784
Behavioral Health Grant	370,570	487,352	113,867	-	-	-	-	-	-	-
Capital Outlay	-	-	219,757	-	-	-	-	-	-	-
Depreciation	3,339,995	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
Total operating expenses	\$ 40,045,995	\$ 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
Operating income (loss)	\$ 4,034,887	\$ 2,786,784	\$ 3,911,070	\$ 4,197,793	\$ 1,743,293	\$ (3,303,704)	\$ (235,560)	\$ 650,761	\$ (410,184)	\$ (1,506,148)
Nonoperating revenues (expenses)										
Investment income	\$ 211,208	\$ 143,201	\$ 22,992	\$ 13,284	\$ 20,859	\$ 47,100	\$ 34,272	\$ 240,356	\$ 182,595	\$ 348,959
Gain (loss) on disposal of capital assets	2,964	(195,510)	4,005	(11,745)	2,780	(274)	(357)	(1,329)	1,668	(41,785)
Interest and fiscal charges	(1,214,249)	(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)
Total nonoperating revenues (expenses)	\$ (1,000,077)	\$ (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)
Change in net position	\$ 3,034,810	\$ 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)
Capital contributions										
State Grant for Capital Improvements	\$ -	\$ -	\$ -	\$ 1,759,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in net position	\$ 3,034,810	\$ 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)

TABLE 3

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Per Diem Revenues  
Last Ten Years

<u>Fiscal Year</u>		<u>City of Chesapeake</u>		<u>City of Hampton</u>		<u>City of Newport News</u>		<u>City of Norfolk</u>		<u>City of Portsmouth</u>		<u>Member Per Diem Total</u>		<u>ICE</u>
2019	\$	6,297,290	\$	4,506,655	\$	5,169,240	\$	6,299,810	\$	5,881,063	\$	28,154,058	\$	-
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

TABLE 4

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Per Diem Rates  
Last Ten Years

<b>Fiscal Year</b>	<b>City of Chesapeake</b>	<b>City of Hampton</b>	<b>City of Newport News</b>	<b>City of Norfolk</b>	<b>City of Portsmouth (1)</b>	<b>ICE</b>	<b>Reduced Rate Maximum 20% (2)</b>
2019	\$ 69.00	\$ 69.00	\$ 69.00	\$ 69.00	\$ 64.45	- \$	40.00
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

(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

<b>Fiscal Year</b>	<b>Revenue Available for Debt Service (1)</b>	<b>Operating Expenses Less Depreciation (2)</b>	<b>Income Available for Debt Service</b>	<b>Credits Allowed by Revenue Covenant (3)</b>	<b>Net Revenue and Credits Available for Debt Service</b>	<b>Annual Revenue Bond Debt Service</b>	<b>Revenue Covenant Ratio (4)</b>
2019	\$ 44,295,053	\$ 36,705,999	\$ 7,589,054	\$ 3,461,608	\$ 11,050,662	\$ 3,864,909	2.86
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 (5)	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

(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) provided 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

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Total</b>	<b>Annual Personal Income</b>	<b>Ratio of Debt to Personal Income</b>	<b>Population (1)</b>	<b>Debt Per Capita</b>
2019	\$ 30,213,976	\$ 30,213,976	\$ Unavailable	\$ Unavailable	Unavailable	\$ -
2018	33,148,523	33,148,523	Unavailable	Unavailable	Unavailable	-
2017	36,038,706	36,038,706	38,417,179	106.60%	893,850	40.18
2016	38,884,505	38,884,505	37,507,822	96.46%	896,862	43.36
2015	41,463,245	41,463,245	37,260,974	89.87%	896,862	62.59
2014	41,849,390	41,849,390	25,172,391	60.15%	662,466	63.39
2013	43,636,911	43,636,911	24,465,352	56.07%	660,203	66.14
2012	39,919,746	39,919,746	24,461,409	61.28%	659,729	60.84
2011	39,749,189	39,749,189	23,853,126	60.01%	656,124	60.53
2010	42,530,000	42,530,000	22,986,571	54.05%	656,716	64.76

**Note:** 2017 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
2017	\$ 11,675,805	\$ 5,674,070	\$ 7,470,774	\$ 9,811,229	\$ 3,785,301	\$ 38,417,179
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
2017	\$ 48,569	\$ 42,133	\$ 41,646	\$ 40,094	\$ 40,026	\$ 212,468
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
2017	240,397	134,669	179,388	244,703	94,693	893,850
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	
2019	3.1%	3.9%	3.5%	3.6%	3.9%	
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:** 2017 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	
2019	262	22	284
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

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

Source: Personnel records.

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
2019	250	178	209	250	151	1,038	-	2	1,040	379,727
2018	250	209	200	250	184	1,093	-	2	1,095	399,318
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
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	Other	Total	
2019	522	376	756	592	274	2,520	-	77	2,597	
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	
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	ICE	Other	Total	
2019	524	410	750	585	404	2,673	-	78	2,751	
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	

Source: ADP reports issued monthly

**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			
2019	973	282	482	-	482	988	203	2,927
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

(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

<b>Fiscal Year</b>	<b>Hampton Roads Regional Jail</b>	<b>Member City Jails (1)</b>	<b>Total with ICE</b>	<b>% Increase/ (Decrease) with ICE</b>	<b>Less: ICE</b>	<b>Total without ICE</b>	<b>% Increase/ (Decrease) without ICE</b>
2019	1,038	2,927	3,965	(4.6)	-	3,965	(4.6)
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)

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

(2) Source: ADP was supplied by the State Compensation Board

**TABLE 12**

**HAMPTON ROADS REGIONAL JAIL AUTHORITY**

Inmate Days and Per Diems Billed - By Jurisdiction  
Fiscal Year 2019

<b>Member City</b>	<b>Per Diem Rate</b>	<b># Beds Guaranteed</b>	<b>Inmate Days Guaranteed (1)</b>	<b>Inmate Days Billed (2)</b>	<b>Per Diems Billed</b>
Chesapeake	\$ 69.00	250	91,250	91,267	\$ 6,297,290
Hampton	\$ 69.00	175	63,875	66,357	4,506,655
Newport News	\$ 69.00	200	73,000	76,306	5,169,240
Norfolk	\$ 69.00	250	91,250	91,287	6,299,810
Portsmouth	\$ 64.45	250	91,250	91,250	5,881,063
Totals		<u>1,125</u>	<u>410,625</u>	<u>416,467</u>	\$ <u>28,154,058</u>

(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

TABLE 13  
Page 1 of 2

Principal Employers Member Jurisdictions  
2018 and Nine Years Ago

City of Portsmouth, VA					
2018(1)			2009		
Employer	# of Employees	Rank	Employer	# of Employees	Rank
U.S. Department of Defense	1000+	1	U.S. Department of Defense	1000+	1
Maryview Hospital	1000+	2	City of Portsmouth	1000+	2
Portsmouth Public Schools	1000+	3	Portsmouth Public Schools	1000+	3
City of Portsmouth	1000+	4	Maryview Hospital	1000+	4
Virginia International Terminal	1000+	5	Pines Residential Treatment	1000+	5
Ceres Marine Terminals, Inc.	1000+	6	Earl Industries	1000+	6
International Marine & Industrial Applicators	1000+	7	Gwaltney of Smithfield	1000+	7
Pines Residential Treatment	1000+	8	Walmart	1000+	8
Tidewater Community College	1000+	9	CDI Marine Company	1000+	9
U.S. Department of Homeland Defense	1000+	10	U.S. Department of Homeland Defense	1000+	10
City of Chesapeake, VA					
2018(1)			2009		
Employer	# of Employees	Rank	Employer	# of Employees	Rank
City of Chesapeake Public Schools	1000+	1	City of Chesapeake Public Schools	1000+	1
City of Chesapeake	1000+	2	City of Chesapeake	1000+	2
Chesapeake Regional Medical Center	1000+	3	Chesapeake Regional Medical Center	1000+	3
Walmart	1000+	4	Walmart	1000+	4
Sentara Health	1000+	5	Cox Communications Hampton Roads	1000+	5
QVC Chesapeake	1000+	6	QVC Chesapeake	1000+	6
MAC Services	1000+	7	Sentara Health	1000+	7
Cox Communications Hampton Roads	1000+	8	MAC Services	1000+	8
Food Lion	500-999	9	Liftouch National School	500-999	9
United Services Automobile Association	500-999	10	YMCA		10
City of Hampton, VA					
2018(1)			2009		
Employer	# of Employees	Rank	Employer	# of Employees	Rank
Hampton City Schools	1000+	1	Hampton City Schools	1000+	1
City of Hampton	1000+	2	U.S. Department of Defense	1000+	2
U.S. Department of Defense	1000+	3	City of Hampton	1000+	3
Department of Veterans Affairs	1000+	4	National Aeronautics & Space Admin	1000+	4
National Aeronautics & Space Admin	1000+	5	U.S. Department of Veterans Affairs	1000+	5
Sentara Health Systems	1000+	6	Sentara Health Systems	1000+	6
Telespectrum, Inc	1000+	7	Hampton University	1000+	7
Hampton University	1000+	8	Howmet Castings & Service Inc	1000+	8
Hampton Newport News Community Svs. Board	1000+	9	Thomas Nelson Community College	1000+	9
Thomas Nelson Community College	1000+	10	Sprint-Nextel	1000+	10

**HAMPTON ROADS REGIONAL JAIL AUTHORITY**

**TABLE 13**

**Page 2 of 2**

Principal Employers Member Jurisdictions  
2018 and Nine Years Ago (Continued)

<b>City of Newport News, VA</b>					
<b>2018(1)</b>			<b>2009</b>		
<b>Employer</b>	<b># of Employees</b>	<b>Rank</b>	<b>Employer</b>	<b># of Employees</b>	<b>Rank</b>
Huntington Ingall Industries, Inc	10,000-25,000	1	Huntington Ingall Industries, Inc	10,000-25,000	1
Newport News Public Schools	1,000-5,000	2	Newport News Public Schools	1,000-5,000	2
Riverside Regional Medical Center	1,000-5,000	3	Riverside Regional Medical Center	1,000-5,000	3
City of Newport News	1,000-5,000	4	City of Newport News	1,000-5,000	4
U. S. Department of Defense	1,000-5,000	5	U. S. Department of Defense	1,000-5,000	5
Ferguson Enterprises Inc.	1,000-5,000	6	U.S. Department of Army and Air Force	1,000-5,000	6
Christopher Newport University	1,000-5,000	7	Canon	1,000-5,000	7
U.S. Department of Army and Air Force	1,000-5,000	8	Ferguson Enterprises Inc.	1,000-5,000	8
Canon	1,000-5,000	9	Christopher Newport University	1,000-5,000	9
Walmart	500-1,000	10	Hampton Newport News Community	1,000-5,000	10

<b>City of Norfolk, VA</b>					
<b>2018(1)</b>			<b>2009</b>		
<b>Employer</b>	<b># of Employees</b>	<b>Rank</b>	<b>Employer</b>	<b># of Employees</b>	<b>Rank</b>
U.S. Department of Defense	1000+	1	U.S. Department of Defense	1000+	1
Sentara Healthcare	1000+	2	Norfolk City Public Schools	1000+	2
Norfolk City School Board	1000+	3	Sentara Healthcare	1000+	3
City of Norfolk	1000+	4	City of Norfolk	1000+	4
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
Portfolio Recovery Association	1000+	7	Norfolk State University	1000+	7
Eastern Virginia Medical School	1000+	8	Norshipco	1000+	8
Anthem	1000+	9	Eastern Virginia Medical School	1000+	9
Sentara Health Management	1000+	10	Postal Service	1000+	10

Source: FY 2018 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) 2018 and 2009 is the most recent data available.

TABLE 14

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Total Expenses - By Function  
Last Ten Years

Fiscal Year	Jail Operations											Debt Interest and Fiscal Charges	Total Expenses
	Personal Services	Employee Benefits	Inmate Medical Services	Other Purchased Services	Other Charges	Grant	Materials and Supplies	Non- capital Equipment	Inmates Commissary	Employees Canteen	Depreciation		
2019	\$ 13,574,392	\$ 4,387,154	\$ 12,003,746	\$ 2,497,864	\$ 2,675,649	\$ 370,570	\$ 710,211	\$ 126,269	\$ 356,619	\$ 3,526	\$ 3,339,995	\$ 1,214,249	\$ 41,260,243
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

TABLE 15

## 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)	
2019	\$ 11,563,136	\$ 2,516,366	\$ 439,640	\$ 14,519,141	\$ 28,154,058	\$ -	\$ 211,208	\$ 466,098	\$ 112,073	\$ 362,708	\$ 3,159	\$ 466,609	\$ 44,295,054
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

- (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 FY2010, the Authority received American Recovery and Reinvestment Act State Fiscal Stabilization Funds. In FY 2017, 2018, and 2019 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, 2019

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)	262			
Non-uniformed (non-sworn)	22			
Total	284			
Number of beds allotted				
	Initial Allocation	20% Additional at Reduced rate	Remaining Additional Allocation	Total Allocation
City of Chesapeake	250	50	-	300
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	1,125	196	-	1,321
State rated capacity				
General population	527			
State rated capacity of member City jails				
City of Chesapeake Jail	747			
City of Hampton Jail	468			
City of Newport News Jail	300			
City of Norfolk Jail	833			
City of Portsmouth Jail	288			
Total five member cities	2,636			
Vehicle miles driven during the fiscal year	1,074,286			

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, 2019

Due Date	Principal	Interest	Total Debt Service	Total by Fiscal Year
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	5,000.00	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	\$ 28,805,000	\$ 6,375,346	\$ 35,180,346	\$ 35,180,346

TABLE 18

## HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedule of Insurance in Force  
As of June 30, 2019

<b>Insurance Coverage</b>	<b>Insurance Company</b>	<b>Expiration Date</b>	<b>Coverage Limit</b>	<b>Deductible</b>
Building and Personal Property & Extra Expense Business Interruption	VML Insurance Programs	6/30/2019	\$ 104,395,108 \$ 1,000,000 \$ 500,000	\$ 10,000
Flood	VML Insurance Programs	6/30/2019	\$ 5,000,000	\$ 25,000
Earthquake	VML Insurance Programs	6/30/2019	\$ 1,000,000	\$ 25,000
Boiler and Machinery	VML Insurance Programs	6/30/2019	\$ 40,000,000	\$ 1,000
Automobile Liability	VML Insurance Programs	6/30/2019	\$ 1,000,000	none
Workers' Compensation	VML Insurance Programs	6/30/2019	Required Statutory Limits	
Line of Duty	VML Insurance Programs	6/30/2019	Required Statutory Limits	
Crime Coverage	VML Insurance Programs	6/30/2019	\$ 100,000	1,000
Cyber Insurance	VML Insurance Programs	6/30/2019	\$ 1,000,000	none
Employers' Liability	Division of Risk Management	6/30/2019	\$ 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**



**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***

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**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, 2019, 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 November 15, 2019.

**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 Taven Cox Associates*

Charlottesville, Virginia

November 15, 2019