CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2017

AUTHORITY MEMBERS

FLUVANNA COUNTY

Eric Hess, Sheriff Donald Weaver

GREENE COUNTY

Steve Smith, Sheriff Jim Frydl

LOUISA COUNTY

Troy Wade, Chairman Ashland D. Fortune, Sheriff Christian Goodwin, At Large Member

MADISON COUNTY

Kevin McGhee Eric J. Weaver, Sheriff

ORANGE COUNTY

James P. Crozier, Vice Chairman Mark Amos, Sheriff

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of Central Virginia Regional Jail Authority Orange, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Central Virginia Regional Jail Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Central Virginia Regional Jail Authority, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 36-39 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

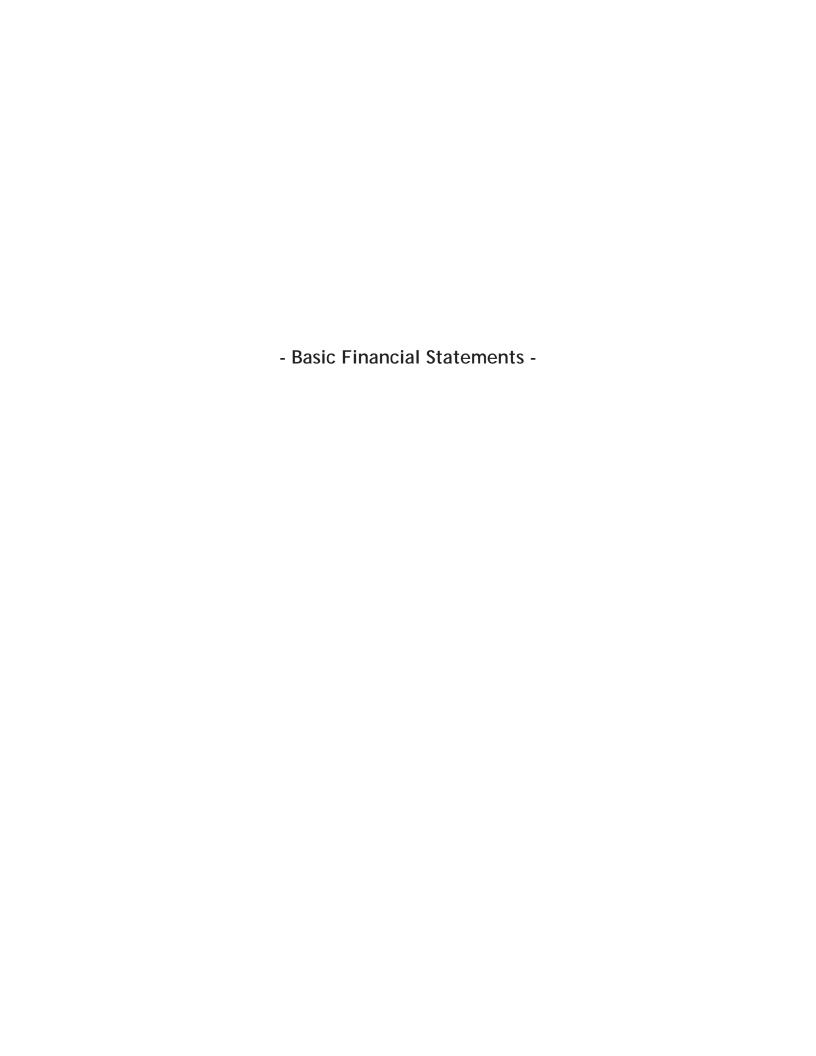
The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of Central Virginia 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Virginia Regional Jail Authority's internal control over financial reporting and compliance.

Mobinson, farmer, Cox Associates Charlottesville, Virginia

November 29, 2017



Statement of Net Position As of June 30, 2017

ACCETC		
ASSETS Cash and cash equivalents	\$	6,997,137
Due from other governmental units	Ψ	9,031,956
Capital assets (net of accumulated depreciation) (Note 5):		7,031,730
Land		175,000
Buildings and improvements		22,042,716
Vehicles		78,026
Machinery and equipment		33,678
Total assets	\$	38,358,513
DEFERRED OUTFLOWS OF RESOURCES		
Post measurement date employer pension contributions (Note 3)	\$	656,510
Net difference of actual and projected pension asset earnings (Note 3)	Ψ	304,553
Differences between expected and actual experience (Note 3)		27,417
Total deferred outflows of resources	\$	988,480
LIABILITIES		
Accounts payable	\$	265,882
Accrued payroll		63,357
Unearned revenue		526,650
Note payable (Note 11)		7,315,000
Compensated absences - current portion (Note 6)		50,288
Net OPEB obligation - current portion (Note 8)		30,000
Long-term liabilities:		450 505
Compensated absences - long-term portion (Note 6)		452,595
Net pension liability (Note 3)		1,569,821
Net OPEB obligation - long-term portion (Note 8)	_	153,000
Total liabilities	\$	10,426,593
NET POSITION		
Net investment in capital assets	\$	15,014,420
Unrestricted		13,905,980
Total net position	\$	28,920,400

Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2017

Operating revenues: Contributions from participating localities:		
County of Greene County of Fluvanna County of Orange County of Madison County of Louisa Other jurisdictions per diem Charges for services Recovered medical costs Miscellaneous Commonwealth of Virginia State Compensation Board: State of Virginia Virginia Department of Corrections - Expenditure refunds Reimbursement for jail inmate days:	\$	1,140,162 1,023,942 1,482,144 738,067 2,295,020 12,775 238,371 491,429 115,940 4,159,811 83,728
State of Virginia Federal inmate days	_	854,516 622,280
Total operating revenues	\$	13,258,185
Operating expenses: Public Safety: Personnel costs Fringe benefits Contractual services Other charges Depreciation expense Capital outlay	\$	6,330,546 2,320,280 166,747 2,946,652 798,604 316,467
Total operating expenses	\$	12,879,296
Operating income (loss)	\$	378,889
Nonoperating revenues (expenses): Interest income Construction grant - state Interest expense	\$	1,481 8,231,092 (63,496)
Net nonoperating revenues (expenses)	\$	8,169,077
Income (loss)	\$	8,547,966
Change in net position	\$	8,547,966
Net position, beginning of year		20,372,434
Net position, end of year	\$	28,920,400

Statement of Cash Flows For the Year Ended June 30, 2017

Cash flows from operating activities:		
Receipts from customers	\$	4,819,252
Payments to suppliers		(3,576,646)
Payments to and on the behalf of employees	_	(8,769,136)
Net cash flows provided by (used for) operating activities	\$_	(7,526,530)
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$	(1,116,039)
Capital contributions		8,231,092
Interest payments	_	(152,885)
Net cash flows provided by (used for) capital and related financing activities	\$_	6,962,168
Cash flows from investing activities:		
Interest income	\$	1,481
Net increase (decrease) in cash and cash equivalents	\$	(562,881)
	•	
Cash and cash equivalents, beginning of year	_	7,560,018
Cash and cash equivalents, end of year	\$_	6,997,137
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	378,889
Adjustments to reconcile operating income (loss) to net cash	•	
provided by (used for) operating activities:		700 (01
Depreciation Changes in assets and liabilities:		798,604
Changes in assets and liabilities: (Increase) / decrease in accounts receivable		3,201
(Increase) / decrease in due from other governmental units		(8,344,460)
Increase / (decrease) in accounts payable		(146,780)
Increase / (decrease) in accrued payroll		26,189
Increase / (decrease) in unearned revenue		(97,674)
Increase / (decrease) in compensated absences		119,442
(Increase) / decrease in deferred outflows - pension related		(398,481)
Increase / (decrease) in deferred inflows - net pension related		(279,914)
Increase / (decrease) in net pension liability		444,454
Increase / (decrease) in net OPEB obligation		(30,000)
Cash flows provided by (used for) operating activities	\$	(7,526,530)

CENTRAL VIRGINIA REGIONAL JAIL AUTHORITY Statement of Fiduciary Net Position FIDUCIARY FUNDS

As of June 30, 2017

	_	Agency Funds
ASSETS		
Cash	\$_	648,700
LIABILITIES		
Amounts held for inmate benefits Amounts held for employee benefits	\$	641,418 7,282
Total liabilities	\$_	648,700

Notes to Financial Statements As of June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. The Financial Reporting Entity:

The Central Virginia Regional Jail Authority was established pursuant to the <u>Code of Virginia</u> (1950), as amended and the participating Counties of Fluvanna, Greene, Louisa, Madison and Orange. The construction costs of the Jail are divided among the participating localities. The costs of operation and maintenance for each county shall be on a 3 year average prisoner day basis. The Jail is considered a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. Each participating locality contributes annually to the Authority's operations. However, there is no financial benefit or burden between the Jail and the participating localities.

B. Financial Statement Presentation:

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Jail's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected to omit the MD&A.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Central Virginia Regional Jail Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

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

Additionally, the Jail reports the following fund type:

<u>Agency funds</u> account for assets held by the Jail as an agent or custodian of individuals, private organizations, other governmental units or other funds. The inmate medical co-pay, inmate account, commissary account, employee account, work release, donation account and EIP payroll account are the Jail's agency funds.

D. Capital Assets:

All purchased capital assets are valued at historical cost. Donated capital assets are valued at their acquisition value on the date donated. Only assets with a cost of \$5,000 or more will be capitalized.

Capital asset purchases are stated at cost. Construction-in-progress is capitalized as constructed and will not be depreciated until complete and placed in service.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Capital Assets: (Continued)

Depreciation is calculated using the straight-line method.

The following estimated useful lives are used to depreciate assets:

Buildings and improvements 30-40 years Vehicles, machinery, and equipment 5-10 years

E. Accounts Receivable:

Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowances for uncollectible accounts are recorded.

F. Cash and Cash Equivalents:

The Jail's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with an initial maturity of three months or less.

G. Use of Estimates:

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

H. Investments:

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

I. Budgets and Budgetary Accounting:

A budget is prepared for informational and fiscal planning purposes. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

J. 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, reduced by accumulated depreciation and by any outstanding debt, deferred outflows of resources and increased by deferred inflows of resources related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Net Position Flow Assumption:

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

L. <u>Deferred Outflows/Inflows of Resources:</u>

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 items that qualify for reporting in this category. The first item is related to the measurement of the net pension liability. This includes differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Jail has no items that qualify for reporting in this category.

M. 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 Jail's Retirement Plan and the additions to/deductions from the Jail'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.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

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

NOTE 3 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Jail are automatically covered by 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 <u>Code of Virginia</u>, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 3 - PENSION PLAN: (CONTINUED)

Plan Description: (Continued)

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.	

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 3 - PENSION PLAN: (CONTINUED)

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

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) Defined Contributions Component: (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)			
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN	
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.	
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.	
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.	

NOTE 3 - PENSION PLAN: (CONTINUED)

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

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)								
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN						
Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)	Earliest Reduced Retirement Eligibility (Cont.)						
Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	Political subdivisions hazardous duty employees: Not applicable.						
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.						
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility: Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. Eligibility: Same as Plan 1 and Plan 2.						
For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.								

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)							
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN					
PLAN 1 Cost-of-Living Adjustment (COLA) in Retirement (Cont.) Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement	· · · · · · · · · · · · · · · · · · ·	-					
benefit as of January 1, 2013. The member retires on disability. The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire							
under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.							

NOTE 3 - PENSION PLAN: (CONTINUED)

RETIREMENT PLAN PROVISIONS (CONTINUED)							
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN					
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.					
one-year waiting period before becoming eligible for non-work-related disability benefits.	one-year waiting period before becoming eligible for non-work related disability benefits.	Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.					
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.					

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 3 - PENSION PLAN: (CONTINUED)

Pension Plan Data: (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	51
Inactive members: Vested inactive members	19
Non-vested inactive members	66
Inactive members active elsewhere in VRS	63
Total inactive members	148
Active members	98
Total covered employees	297

Contributions

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

The Jail's contractually required contribution rate for the year ended June 30, 2017 was 11.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Jail were \$656,510 and \$592,227 for the years ended June 30, 2017 and June 30, 2016, respectively.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 3 - PENSION PLAN: (CONTINUED)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Jail's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation 2.5%

Salary increases, including inflation 3.5% - 5.35%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation*

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

^{*} 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.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 3 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS: (Continued)

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Jail's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation 2.5%

Salary increases, including inflation 3.5% - 4.75%

Investment rate of return 7.0%, net of pension plan investment

expense, including inflation*

^{*} Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment 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.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 3 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 3 - 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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
	tic nominal return	8.33%	

^{*} Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 3 - PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)					
		Total Pension Liability (a)		Plan Fiduciary Net Position (b)	_	Net Pension Liability (a) - (b)
Balances at June 30, 2015		12,452,559	\$_	11,327,192	\$	1,125,367
Changes for the year:						
Service cost	\$	581,496	\$	-	\$	581,496
Interest		844,981		-		844,981
Differences between expected						
and actual experience		39,555		-		39,555
Contributions - employer		-		589,767		(589,767)
Contributions - employee		-		236,532		(236,532)
Net investment income		-		202,292		(202,292)
Benefit payments, including refunds						
of employee contributions		(762,817)		(762,817)		-
Administrative expenses		-		(6,928)		6,928
Other changes		-		(85)		85
Net changes	\$	703,215	\$	258,761	\$	444,454
Balances at June 30, 2016	\$	13,155,774	\$	11,585,953	\$	1,569,821

NOTE 3 - PENSION PLAN: (CONTINUED)

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

The following presents the net pension liability of the Jail using the discount rate of 7.00%, as well as what the Jail'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 Current Discount 1% Inc					
	(6.00%)		(7.00%)	(8.00%)		
Central Virginia Regional Jail Authority						
Net Pension Liability	\$ 3,345,932	\$	1,569,821 \$	105,297		

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

For the year ended June 30, 2017, the Jail recognized pension expense of \$422,959. At June 30, 2017, the Jail reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	_	Deferred Outflows of Resources	 Deferred Inflows of Resources
Differences between expected and actual experience	\$	27,417	\$ -
Net difference between projected and actual earnings on pension plan investments	\$	304,553	\$ -
Employer contributions subsequent to the measurement date	_	656,510	
Total	\$	988,480	\$ -

\$656,510 reported as deferred outflows of resources related to pensions resulting from the Jail's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	_	
2018	\$	20,860
2019		20,559
2020		172,032
2021		118,519
2022		-
Thereafter		_

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

Federal inmates	\$ 56,906
Participating localities	88,955
Commonwealth of Virginia:	
State inmate days	304,208
Construction	8,231,092
Compensation Board	350,795
Total	\$ 9,031,956

NOTE 5 - CAPITAL ASSETS:

The following is a summary of changes in capital assets during the year:

		Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:	_				
Land	\$	175,000	\$ -	\$ - \$	175,000
Construction in progress		15,170,524	855,331	(16,025,855)	-
Total capital assets not being depreciated	\$	15,345,524	\$ 855,331	\$ (16,025,855) \$	175,000
Capital assets being depreciated:					
Buildings and improvements	\$	12,456,587	\$ 16,300,734	\$ - \$	28,757,321
Vehicles		489,393	57,564	-	546,957
Machinery and equipment		267,774	17,653	-	285,427
Total capital assets being depreciated	\$	13,213,754	\$ 16,375,951	\$ - \$	29,589,705
Accumulated depreciation	_	(6,636,681)	(798,604)		(7,435,285)
Total capital assets being depreciated, net	\$	6,577,073	\$ 15,577,347	\$ - \$	22,154,420
Net capital assets	\$	21,922,597	\$ 16,432,678	\$ (16,025,855) \$	22,329,420

Depreciation expense for the fiscal year totaled \$786,604.

NOTE 6 - COMPENSATED ABSENCES:

In accordance with GASB Statement 16, Accounting for Compensated Absences, the Jail accrued the liability arising from outstanding compensated absences. The Jail has outstanding accrued vacation, sick and compensation time pay as summarized below:

Compensated absences June 30, 2016 Increase (decrease) during year	\$ 383,441 119,442
Compensated absences June 30, 2017 Less current portion (10%)	\$ 502,883 (50,288)
Total long-term portion	\$ 452,595

NOTE 7 - SUMMARY OF SPECIAL ACCOUNTS:

A summary of activity from the special accounts at Central Virginia Regional Jail Authority are shown below:

	_	Receipts	_	Disburse- ments	 Excess of Revenues over (under) Expenses
Inmate account	\$	864,245	\$	867,042	\$ (2,797)
Commissary account		454,797		396,297	58,500
Work release		512,613		524,257	(11,644)
Inmate medical co-payment		28,247		28,247	-
Donation account		3,420		2,998	422
EIP		2,986		2,986	-
Employee account	_	1,856		2,644	 (788)
	\$	1,868,164	\$	1,824,471	\$ 43,693

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE:

A. Plan Description:

In addition to the pension benefits described in Note 3, the Jail provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. All employees who meet the eligibility criteria for Jail retirement and elect to retire are eligible, at the sole expense of the retiree, for access to health care insurance coverage via a \$250 per month stipend towards the retiree's health insurance premium. The stipend will be paid to the retiree, who is then responsible for payment to their coverage provider. Benefits cease when the retiree is eligible to receive Medicare.

Retirement eligibility is at 20 years of service for those who were hired prior to December 31, 1991. Employees hired after this date are not eligible for the program.

B. Funding Policy:

The Jail establishes employer contribution rates for plan participants as part of the budgetary process each year. The Jail also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees pay 100% of the premiums. Currently, there are three retirees in the plan. There are nine employees expected to retire and join the plan in the next four years.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation:

The Jail's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount determined in accordance with the parameters of GASB Statement 45. The OPEB obligation is reported in total at year end and is reduced by the actual contributions made on behalf of the retirees. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Jail's net OPEB obligation:

Annual required contribution	\$ -
Interest on net OPEB obligation	5,325
Adjustment to annual required contribution	(5,325)
Annual OPEB cost (expense)	\$ -
Contributions made	(30,000)
Decrease in net OPEB obligation	\$ (30,000)
Net OPEB obligation - beginning of year	213,000
Net OPEB obligation - end of year	\$ 183,000
Current portion	\$ 30,000
Long-term portion	153,000
Total	\$ 183,000

The Jail's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the preceding two years are as follows:

Fiscal Year Ending	_	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	_	Net OPEB Obligation
June 30, 2015 June 30, 2016 June 30, 2017	\$	322 - -	100% 100% 100%	\$	243,000 213,000 183,000

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2010 is as follows:

Actuarial accrued liability (AAL)	\$	51,414
Actuarial value of plan assets		-
Unfunded actuarial accrued liability	\$	51,414
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)	Not available	
UAAL as a percentage of covered payroll	Not available	

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS-HEALTH INSURANCE: (CONTINUED)

D. Funded Status and Funding Progress: (Continued)

Actuarial values of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and the new estimates are made about the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Measurement of Actuarial Information:

The Jail has elected to calculate information of an actuarial nature using the alternative measurement method permitted by GASB 43, for plans with fewer than 100 participants.

The following simplifying assumptions were made:

Retirement age for active employees - Retirement age was estimated at the earliest eligibility date.

Mortality - Life expectancies were assumed to be 65 years.

Coverage Elections - It was assumed that those employees currently on the Authority's health insurance plan would continue it into retirement (if eligible).

Interest Assumptions

Funding interest rate N/A
Annual amortization increase rate 2.50%

NOTE 9 - RISK MANAGEMENT:

The Jail is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Jail carries insurance.

The Jail is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Notes to Financial Statements As of June 30, 2017 (continued)

NOTE 9 - RISK MANAGEMENT: (CONTINUED)

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Jail pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Jail continues to carry commercial insurance for all other risks of losses. For the previous three fiscal years, settled claims from these risks have not exceeded commercial coverage.

NOTE 10 - LITIGATION, CLAIMS AND ASSESSMENTS:

At June 30, 2017, there were no matters of litigation involving the Jail which would materially affect the Jail 's financial position should any court decisions on pending matters not be favorable.

NOTE 11 - LONG-TERM DEBT:

On December 22, 2014, the Jail issued a Series 2014 Revenue Anticipation Note in the amount of \$8,465,000. The current balance is \$7,315,000, with \$1,150,000 variable interest of approximately 1.82% APR is payable monthly. The note is to be paid in full by the end of fiscal year 2018 from the receipt of state and federal grants for the construction of additional prisoner housing. Total interest paid in FY 16 was \$93,883. Interest to be paid in FY 2017 and 2018 is approximately \$133,133, and \$66,567, respectively.



Schedule of Changes in Net Pension Liability (Asset) and Related Ratios For the Years Ended June 30, 2015 through June 30, 2017

		2016	2015	2014
Total pension liability				_
Service cost	\$	581,496 \$	575,824 \$	545,907
Interest		844,981	797,368	741,951
Differences between expected and actual experience		39,555	943	-
Benefit payments, including refunds of employee contributions		(762,817)	(625,105)	(367,248)
Net change in total pension liability	\$	703,215 \$	749,030 \$	920,610
Total pension liability - beginning		12,452,559	11,703,529	10,782,919
Total pension liability - ending (a)	\$	13,155,774 \$	12,452,559 \$	11,703,529
Plan fiduciary net position				
Contributions - employer	\$	589,767 \$	478,419 \$	552,396
Contributions - employee		236,532	192,167	191,799
Net investment income		202,292	500,151	1,449,183
Benefit payments, including refunds of employee contributions		(762,817)	(625,105)	(367,248)
Administrative expense		(6,928)	(6,714)	(7,428)
Other	_	(85)	(107)	76
Net change in plan fiduciary net position	\$	258,761 \$	538,811 \$	1,818,778
Plan fiduciary net position - beginning		11,327,192	10,788,381	8,969,603
Plan fiduciary net position - ending (b)	\$	11,585,953 \$	11,327,192 \$	10,788,381
Political subdivision's net pension liability - ending (a) - (b)	\$	1,569,821 \$	1,125,367 \$	915,148
Plan fiduciary net position as a percentage of the total pension liability		88.07%	90.96%	92.18%
Covered payroll	\$	4,779,876 \$	3,875,864 \$	3,818,334
Political subdivision's net pension liability as a percentage of covered payroll		32.84%	29.04%	23.97%

This schedule is intended to report information for 10 years. 2014 is the first year for this presentation. Additional years will be included when available.

Schedule of Employer Contributions For the Years Ended June 30, 2008 through June 30, 2017

Date	 Contractually Required Contribution (1)	-	Contributions in Relation to Contractually Required Contribution (2)	 Contribution Deficiency (Excess) (3)	 Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2017	\$ 656,510	\$	656,510	\$ -	\$ 5,735,912	11.45%
2016	592,227		592,227	-	4,779,876	12.39%
2015	478,419		478,419	-	3,875,864	12.34%
2014	552,513		552,513	-	3,818,334	14.47%
2013	519,032		519,032	-	3,586,951	14.47%
2012	375,929		375,929	-	3,368,541	11.16%
2011	379,002		379,002	-	3,396,075	11.16%
2010	296,216		296,216	-	3,377,602	8.77%
2009	305,346		305,346	-	3,481,714	8.77%
2008	268,921		268,921	-	3,220,609	8.35%

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

Notes to Required Supplementary Information For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Schedule of OPEB Funding Last Three Fiscal Years (a)

Other Postemployment Benefits

						UAAL
						as
	Actuarial	Actuarial				Percentage
Actuarial	Value of	Accrued	Unfunded	Funded		of Covered
Valuation	Assets	Liability	Actuarial	Ratio	Covered	Payroll
Date	(AVA)	(AAL)	Accrued Liability	(2) / (3)	Payroll	(4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010 \$	- \$	51,414 \$	51,414	0.00%	not available	not available

⁽a) Only one valuation report has been provided and is required due to the nature of the Jail's plan. No additional valuations are required.



Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual For the Year Ended June 30, 2017

		Budgeted A	Amounts		Variance with Final Budget- Positive
	_	Original	Final	Actual	(Negative)
Operating Revenues: Revenue from local sources: Contributions from participating localities:	_				
County of Greene County of Fluvanna County of Orange County of Madison County of Louisa Other jurisdictions per diem Phone commissions Charges to prisoners - EIP / Work release Recovered medical costs	\$	1,099,221 \$ 987,174 1,428,923 711,564 2,212,610 12,000 - 109,433	1,099,221 \$ 987,174 1,428,923 711,564 2,212,610 12,000 - 109,433 491,429	1,140,162 \$ 1,023,942 1,482,144 738,067 2,295,020 12,775 97,674 140,697 491,429	40,941 36,768 53,221 26,503 82,410 775 97,674 31,264
Miscellaneous income		71,564	71,564	115,940	44,376
Total revenue from local sources	\$_	6,632,489 \$	7,123,918 \$	7,537,850 \$	413,932
Intergovernmental: Revenue from the Commonwealth: Categorical aid: Reimbursement of salaries and fringes (Note 8) Expenditure refunds	\$	4,174,272 \$ 20,000	4,174,272 \$ 103,728	4,159,811 \$ 83,728	(14,461) (20,000)
State inmate days	_	736,572	736,572	854,516	117,944
Total revenue from the Commonwealth	\$	4,930,844 \$	5,014,572 \$	5,098,055 \$	83,483
Revenue from Federal Government: Inmate reimbursement	\$_	912,500 \$	912,500_\$_	622,280_\$	(290,220)
Total revenue from the Federal Government	\$_	912,500 \$	912,500 \$	622,280 \$	(290,220)
Total operating revenues	\$_	12,475,833 \$	13,050,990 \$	13,258,185 \$	207,195
Operating Expenses: Public Safety:	•	(704 040 A	/ 704 040 A	/ 000 FA/	454,400
Salaries and wages Employee fringe benefits Advertising Dues and memberships	\$	6,781,949 \$ 3,270,886 9,000 2,000	6,781,949 \$ 3,270,886 9,000 2,000	6,330,546 \$ 2,320,280 1,848 1,680	950,606 7,152 320
Books and subscriptions Uniforms Training		9,500 70,250 56,550	9,500 70,250 56,550	4,907 60,803 46,043	4,593 9,447 10,507
Food supplies Inmate clothing Kitchen supplies		702,625 31,500 14,950	702,625 31,500 14,950	600,187 30,086 12,669	102,438 1,414 2,281
Janitorial and laundry supplies Linen supplies		91,550 40,000	91,550 40,000	69,933 24,043	21,617 15,957

Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual For the Year Ended June 30, 2017 (Continued)

		5			Variance with Final Budget-
	_		I Amounts	Antoni	Positive
Operating Evpensory (Continued)	_	Original	Final	Actual	(Negative)
Operating Expenses: (Continued) Public Safety: (Continued)					
Maintenance and supplies - building	\$	75,000	\$ 75,000 \$	50,186	\$ 24,814
Maintenance and supplies building Maintenance - office equipment	Ψ	2,000	2,000	- 30,100	2,000
Maintenance contracts - office equipment		4,300	4,300	2,359	1,941
Maintenance contract - buildings and grounds		27,400	27,400	44,132	(16,732)
Postage		6,000	6,000	2,718	3,282
Office supplies		20,000	20,000	16,219	3,781
Physician and dentist, etc.		446,606	1,001,763	964,682	37,081
Medical supplies		325,000	325,000	321,892	3,108
Printing		24,750	24,750	19,716	5,034
Professional services		379,078	379,078	163,544	215,534
Contributions		1,500	1,500	300	1,200
Employee medical assessments		2,500	2,500	2,118	382
Security supplies		224,675	224,675	78,082	146,593
Vehicle costs		66,100	66,100	42,229	23,871
Extermination		4,800	4,800	3,203	1,597
Permits, fees and licenses		850	850	1,163	(313)
Travel expenses		44,915	44,915	28,830	16,085
Telephone		28,000	28,000	20,985	7,015
Electricity/heating		294,000	294,000	304,582	(10,582)
Water/sewer		161,860	161,860	137,404	24,456
Refuse collection		9,400	9,400	8,956	444
Insurance		53,269	53,269	41,233	12,036
Capital outlays		937,686	1,039,409	316,467	722,942
Operating leases		10,900	10,900	6,667	4,233
Bank service charges		1,000	1,000	-	1,000
Depreciation		-	-	798,604	(798,604)
Contingencies	_	64,000	64,000		64,000
Total operating expenses	\$_	14,296,349	\$ 14,953,229	12,879,296	\$ 2,073,933
Operating income (loss)	\$_	(1,820,516)	\$ (1,902,239)	378,889	\$ 2,281,128
Nonoperating Revenues (Expenses):					
Interest income	\$	1,000	\$ 1,000 \$	1,481	\$ 481
Construction grant - state		-	-	8,231,092	8,231,092
Interest expense	_	(50,000)	(50,000)	(63,496)	(13,496)
Total nonoperating revenues (expenses)	\$_	(49,000)	\$ (49,000)	8,169,077	\$8,218,077
Income (loss)	\$_	(1,869,516)	\$ (1,951,239)	8,547,966	\$ 10,499,205
Change in net position	\$	(1,869,516)	\$ (1,951,239) \$	8,547,966	\$ 10,499,205
Net position, beginning of year	_	1,869,516	1,951,239	20,372,434	18,421,195
Net position, end of year	\$_	- (\$	28,920,400	\$ 28,920,400



ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

To the Honorable Members of Central Virginia Regional Jail Authority Orange, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of Central Virginia Regional Jail Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Central Virginia Regional Jail Authority's basic financial statements and have issued our report thereon dated November 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Virginia 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Virginia Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Virginia 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 Central Virginia Regional Jail Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mobinson, farmy Cox Associates
Charlottesville, Virginia
November 29, 2017