
ALBEMARLE-CHARLOTTESVILLE
REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

(A Regional Jail organized and existing pursuant to provisions of Chapter 7.1 of Title 53 of the Code of Virginia (1950), as amended)

BOARD MEMBERS

David Hill	Steven Carter	Cyndra Van Clief
Mike Murphy	John E. Harding	James Brwon
W. Lawton Tufts	Kathy Johnson-Harris	Doug Walker
Wes Bellamy	Diantha McKeel	

SUPERINTENDENT

Martin Kumer

BUSINESS MANAGER

Jeffrey A. Brill

CLERK OF THE BOARD

Marce B. Anderson

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board Members of
Albemarle-Charlottesville Regional Jail Authority
Charlottesville, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and 85 Omnibus 2017. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2018, the County restated beginning balances to remove prepaid principal and interest on long-term debt and to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 48-56 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Albemarle-Charlottesville 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.

Report on Summarized Comparative Information

We have previously audited Albemarle-Charlottesville Regional Jail Authority's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of Albemarle-Charlottesville 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 solely 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 Albemarle-Charlottesville 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 Albemarle-Charlottesville Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
November 26, 2018

- Basic Financial Statements -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Net Position
As of June 30, 2018
(With Comparative Amounts for 2017)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,091,957	\$ 4,900,449
Restricted cash and cash equivalents	544,387	286,070
Accounts receivable	151,534	43,186
Due from other governments	641,110	1,026,031
Total current assets	<u>\$ 6,428,988</u>	<u>\$ 6,255,736</u>
Capital assets:		
Capital assets, not being depreciated:		
Land	\$ 74,947	\$ 74,947
Construction in progress	-	10,593
Total capital assets, not being depreciated	<u>\$ 74,947</u>	<u>\$ 85,540</u>
Capital assets, being depreciated:		
Building and improvements	\$ 22,652,076	\$ 22,452,953
Equipment	3,009,388	2,994,353
Vehicles	342,403	342,403
Accumulated depreciation	(17,484,252)	(16,744,325)
Total capital assets, being depreciated	<u>\$ 8,519,615</u>	<u>\$ 9,045,384</u>
Total capital assets	<u>\$ 8,594,562</u>	<u>\$ 9,130,924</u>
Total assets	<u>\$ 15,023,550</u>	<u>\$ 15,386,660</u>
Deferred Outflows of Resources		
OPEB related outflows	\$ 50,437	\$ -
Pension related outflows	1,059,629	1,659,410
Total deferred outflows of resources	<u>\$ 1,110,066</u>	<u>\$ 1,659,410</u>
Total assets and deferred outflows of resources	<u><u>\$ 16,133,616</u></u>	<u><u>\$ 17,046,070</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 489,574	\$ 341,196
Compensation payable	82,218	79,766
Compensated absences - current portion	85,257	88,616
Unearned revenue - current portion	133,620	213,033
Amounts refunded to participating localities	-	219,743
Amounts held for others	544,387	286,070
Total current liabilities	<u>\$ 1,335,056</u>	<u>\$ 1,228,424</u>
Noncurrent liabilities:		
Net OPEB liabilities	\$ 1,982,775	\$ 1,533,000
Unearned revenue - net of current portion	-	133,020
Compensated absences - net of current portion	767,314	797,540
Net pension liability	1,367,616	2,877,610
Long-term debt due after one year	3,503,285	3,934,181
Total noncurrent liabilities	<u>\$ 7,620,990</u>	<u>\$ 9,275,351</u>
Total liabilities	<u>\$ 8,956,046</u>	<u>\$ 10,503,775</u>
Deferred Inflows of Resources		
OPEB related inflows	\$ 233,225	\$ -
Pension related inflows	912,551	333,441
Total deferred inflows of resources	<u>\$ 1,145,776</u>	<u>\$ 333,441</u>
Net Position		
Net investment in capital assets	\$ 5,091,277	\$ 5,196,743
Restricted - operations	3,134,453	2,993,054
Unrestricted (deficit)	(2,193,936)	(1,980,943)
Total net position	<u>\$ 6,031,794</u>	<u>\$ 6,208,854</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 16,133,616</u></u>	<u><u>\$ 17,046,070</u></u>

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018
(With Comparative Amounts for 2017)

	2018	2017
Operating Revenues:		
From local sources:		
Charges for services	\$ 9,456,899	\$ 9,157,815
Miscellaneous	174,794	149,013
Intergovernmental:		
Revenue from the Commonwealth	871,973	910,709
Total operating revenues	\$ 10,503,666	\$ 10,217,537
Operating Expenses:		
Compensation and related items	\$ 9,942,020	\$ 11,315,995
Contractual	844,772	846,392
Other charges	2,753,673	2,700,407
Depreciation	739,927	785,740
Total operating expenses	\$ 14,280,392	\$ 15,648,534
Net operating income (loss)	\$ (3,776,726)	\$ (5,430,997)
Nonoperating Revenues (expenses):		
Operating grants:		
State	\$ 4,765,500	\$ 4,549,312
Federal	-	26,017
Debt service assessments	587,188	576,304
Interest income	56,544	23,375
Tower lease	50,682	40,183
Interest expense	(145,522)	(248,884)
Total nonoperating revenues (expenses)	\$ 5,314,392	\$ 4,966,307
Change in net position	\$ 1,537,666	\$ (464,690)
Net position, beginning of year, as restated	4,494,128	6,673,544
Net position, end of year	\$ 6,031,794	\$ 6,208,854

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2018
(With Comparative Amounts for 2017)

	2018	2017
Cash flows from operating activities:		
Receipts from customers	\$ 10,348,063	\$ 10,620,509
Payments to suppliers	(3,450,067)	(4,037,412)
Payments to and for employees	(11,386,419)	(11,338,483)
Net cash provided by (used for) operating activities	\$ (4,488,423)	\$ (4,755,386)
Cash flows from non-capital financing activities:		
Intergovernmental grants	\$ 4,765,500	\$ 4,575,329
Other	50,682	40,183
Net cash provided by (used for) non-capital financing activities	\$ 4,816,182	\$ 4,615,512
Cash flows from investing activities:		
Interest income	\$ 56,544	\$ 23,375
Cash flows from capital and related financing activities:		
Debt service assessments	\$ 587,188	\$ 576,304
Purchase of capital assets	(203,565)	(158,552)
Principal payments on long-term debt	(430,896)	(404,515)
Interest expense	(145,522)	(168,417)
Net cash provided by (used for) capital and related financing activities	\$ (192,795)	\$ (155,180)
Net change in cash and cash equivalents	\$ 191,508	\$ (271,679)
Cash and cash equivalents, beginning of year	4,900,449	5,172,128
Cash and cash equivalents, end of year	\$ 5,091,957	\$ 4,900,449
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (3,776,726)	\$ (5,430,997)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	739,927	785,740
Net pension activity	-	(130,960)
Changes in operating assets and deferred outflows of resources:		
Prepaid items	-	(494,147)
Accounts receivable	(108,348)	21,592
Due from other governments	384,921	704,018
Deferred outflows of resources - pension with VRS	599,781	-
Deferred outflows of resources - OPEB	(50,437)	-
Changes in operating liabilities and deferred inflows of resources:		
Accounts payable	148,378	3,534
Amounts refunded to participating localities	(219,743)	(118,355)
Unearned revenue	(212,433)	(204,283)
Net OPEB obligation	-	155,000
Net pension liability	(1,509,994)	-
Net OPEB liabilities	(1,264,951)	-
Deferred inflows of resources - pension with VRS	579,110	-
Deferred inflows of resources - OPEB	233,225	-
Compensation payable	2,452	(8,771)
Compensated absences	(33,585)	(37,757)
Net cash provided by (used for) operating activities	\$ (4,488,423)	\$ (4,755,386)

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018

NOTE 1 - FINANCIAL STATEMENT PRESENTATION:

A. Organization and Purpose:

The Albemarle-Charlottesville Regional Jail Board was created pursuant to a resolution duly adopted by the City Council of the City of Charlottesville on April 9, 1974, and by the Board of Supervisors of Albemarle County on April 18, 1974. The County and City agreed to establish a regional jail known as the Albemarle-Charlottesville Joint Security Complex, pursuant to the provisions of Chapter 7.1 of Title 53 of the Code of Virginia, and including provisions to allocate costs of construction and operation. All property shall be held jointly by the City and the County.

Effective November 15, 1995 the Jail Board created the Albemarle-Charlottesville Regional Jail Authority, pursuant to the provisions of Chapter 3, Article 3.1 of Title 53.1 of the Code of Virginia, and transferred all assets, liabilities and operations of the Complex to the Authority. Effective July 1, 1998, Nelson County became a member of the Authority.

B. Financial Reporting Entity:

The Authority has determined that it is a related organization to Albemarle County, Nelson County, and the City of Charlottesville, in accordance with Governmental Accounting Standards Board Statement 39, *Determining Whether Certain Organizations are Component Units*. The Authority is a legally separate organization whose eleven Board members are appointed as follows: The Jail Board shall include the County Executive of Albemarle, County Administrator of Nelson, and City Manager of Charlottesville; Sheriffs of the City of Charlottesville, County of Albemarle, and County of Nelson; one member of City Council to be appointed by Council; one member of the Albemarle Board of Supervisors to be appointed by the Albemarle Board of Supervisors; one private citizen from the City and one from the County of Albemarle, to be appointed by the respective governing bodies, and one additional private citizen, to be appointed jointly by the governing bodies. Since the Boards of Supervisors of Albemarle and Nelson or City Council cannot impose their will on the Authority, and since there is no potential financial benefit or burden in the relationship, neither Boards of Supervisors nor City Council are financially accountable for the Authority. Accordingly the Authority is not considered a component unit of the City or Counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting:

The 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.

B. Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The Authority's policy is to capitalize assets whose cost equals or exceeds \$5,000 and has an estimated useful life greater than one year. Donated capital assets are valued at acquisition value as of the date received. Depreciation has been provided on capital assets using the straight-line method based on their estimated useful lives which are as follows:

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

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

B. Capital Assets: (continued)

Building and improvements	20-30 years
Equipment	3-10 years
Vehicles	3-4 years

Depreciation totaled \$739,927 for 2018 and \$785,740 for 2017.

C. Compensated Absences:

Vacation pay and other related employee benefits are accrued when earned. At June 30, 2018 and 2017, unpaid vacation and related benefits amounted to approximately \$852,571 and \$886,156, respectively.

D. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Operating and Nonoperating Revenues and Expenses:

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

F. Comparative Amounts:

Comparative amounts are presented for informational purposes only. The prior year amounts have been reclassified to conform to the current year presentation.

G. Cash and Cash Equivalents:

The Authority's cash and cash equivalents consist of demand deposits, certificates of deposit, overnight repurchase agreements and short-term U.S. Governmental obligations, with an original maturity of three months or less, all of which are readily convertible to known amounts of cash. Restricted cash amounts include amounts held for inmates and other purposes.

H. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Notes to Financial Statements
As of June 30, 2018 (continued)

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

I. Deferred Outflows and Inflows of Resources:

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

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

J. Pensions:

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

Notes to Financial Statements
As of June 30, 2018 (continued)

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

K. OPEB:

Group Life Insurance

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

L. 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.

M. 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 restricted net position to have been depleted before unrestricted net position is applied.

NOTE 3 - DEPOSITS AND INVESTMENTS:

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% excess deposits. Accordingly, all deposits are considered fully collateralized.

The Authority's cash and cash equivalents are a part of the pooled cash and investments of the County of Albemarle, Virginia, the Authority's fiscal agent. The components of the Authority's cash and cash equivalents as to bank and investment balances are not identifiable. The portion of the County's cash and investments which are applicable to the Authority consist of deposits covered by FDIC insurance, the Virginia Security for Public Deposits Act, or are a part of the County's investments in the Virginia Local Government Investment Pool. The Authority has other cash accounts that are not a part of the County's pooled cash and investments. The carrying value of these deposits was \$581,686, and the bank balances were covered by FDIC insurance and/or collateralized in accordance with the Virginia Security for Public Deposits Act, except for \$81,931 in the Inmate Canteen Account that exceeds FDIC insurance.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 4 - RECEIVABLES:

Receivables and amounts due from other governments are as follows:

	<u>2018</u>	<u>2017</u>
Accounts receivable:		
Other	\$ 151,534	\$ 43,186
Total accounts receivable	<u>\$ 151,534</u>	<u>\$ 43,186</u>
Due from other governmental units:		
Commonwealth of Virginia:		
State Compensation Board	\$ 388,277	\$ 383,640
Department of Corrections	227,453	227,621
Other	25,380	-
County of Albemarle	-	5,532
City of Charlottesville	-	376,223
County of Nelson	-	87
Other	-	32,928
Total due from other governmental units	<u>\$ 641,110</u>	<u>\$ 1,026,031</u>
Total receivables	<u><u>\$ 792,644</u></u>	<u><u>\$ 1,069,217</u></u>

NOTE 5 - CAPITAL ASSETS:

Changes in capital assets are summarized below:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 74,947	\$ -	\$ -	\$ 74,947
Construction in progress	10,593	-	10,593	-
Total capital assets not being depreciated	<u>\$ 85,540</u>	<u>\$ -</u>	<u>\$ 10,593</u>	<u>\$ 74,947</u>
Capital assets being depreciated:				
Building and improvements	\$ 22,452,953	\$ 199,123	\$ -	\$ 22,652,076
Equipment	2,994,353	15,035	-	3,009,388
Vehicles	342,403	-	-	342,403
Total capital assets being depreciated	<u>\$ 25,789,709</u>	<u>\$ 214,158</u>	<u>\$ -</u>	<u>\$ 26,003,867</u>
Accumulated depreciation:				
Building and improvements	\$ 13,568,822	\$ 684,879	\$ -	\$ 14,253,701
Equipment	2,880,572	35,345	-	2,915,917
Vehicles	294,931	19,703	-	314,634
Total accumulated depreciation	<u>\$ 16,744,325</u>	<u>\$ 739,927</u>	<u>\$ -</u>	<u>\$ 17,484,252</u>
Total capital assets being depreciated, net	<u>\$ 9,045,384</u>	<u>\$ (525,769)</u>	<u>\$ -</u>	<u>\$ 8,519,615</u>
Net capital assets	<u><u>\$ 9,130,924</u></u>	<u><u>\$ (525,769)</u></u>	<u><u>\$ 10,593</u></u>	<u><u>\$ 8,594,562</u></u>

Depreciation expense was \$739,927 in 2018.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 6 - LONG-TERM OBLIGATIONS:

\$8,056,900 refinancing revenue bonds, issued March 1, 2005, payable in various annual installments ranging from \$279,310 to \$556,572 beginning on July 1, 2006 through July 1, 2025, interest at 3.7%, payable semiannually. \$ 3,503,285

Annual requirements to amortize principal and interest are as follows:

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 446,014	\$ 121,370
2021	465,712	104,503
2022	479,913	87,009
2023	498,660	68,906
2024	516,875	50,118
2025	539,539	30,575
2026	556,572	10,297
Total	<u>\$ 3,503,285</u>	<u>\$ 472,778</u>

The following details the changes in long-term debt:

Balance, July 1, 2017	\$ 3,934,181
Principal payments	<u>(430,896)</u>
Balance, June 30, 2018	<u>\$ 3,503,285</u>

The following is a summary of changes in compensated absences for the fiscal year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Compensated absences \$	<u>886,156</u>	<u>\$ 55,031</u>	<u>\$ 88,616</u>	<u>\$ 852,571</u>	<u>\$ 85,257</u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN:

Plan Description

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

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1- April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

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

Pension Plan Data

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	51
Inactive members:	
Vested inactive members	18
Non-vested inactive members	61
Inactive members active elsewhere in VRS	<u>74</u>
Total inactive members	153
Active members	<u>154</u>
Total covered employees	<u><u>358</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 11.54% 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 Authority were \$890,546 and \$869,360 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment 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.

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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General 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:

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%

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment 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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

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%

Long-Term Expected Rate of Return

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

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)**NOTE 7 - PENSION PLAN: (continued)***Discount Rate*

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 22,845,856	\$ 19,968,246	\$ 2,877,610
Changes for the year:			
Service cost	\$ 1,177,453	\$ -	\$ 1,177,453
Interest	1,573,241	-	1,573,241
Changes of assumptions	(290,385)	-	(290,385)
Differences between expected and actual experience	(273,381)	-	(273,381)
Contributions - employer	-	861,313	(861,313)
Contributions - employee	-	374,264	(374,264)
Net investment income	-	2,477,114	(2,477,114)
Benefit payments, including refunds of employee contributions	(741,960)	(741,960)	-
Administrative expense	-	(13,529)	13,529
Other changes	-	(2,240)	2,240
Net changes	\$ 1,444,968	\$ 2,954,962	\$ (1,509,994)
Balances at June 30, 2017	\$ 24,290,824	\$ 22,923,208	\$ 1,367,616

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

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

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the 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		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability (Asset)	\$ 5,077,912	\$ 1,367,616	\$ (1,674,152)

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

For the year ended June 30, 2018, the Authority recognized pension expense of \$548,580. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,083	\$ 358,453
Change in assumptions	-	214,961
Net difference between projected and actual earnings on pension plan investments	-	339,137
Employer contributions subsequent to the measurement date	890,546	-
Total	\$ 1,059,629	\$ 912,551

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 7 - PENSION PLAN: (continued)

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

\$890,546 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (407,834)
2020	9,637
2021	(132,748)
2022	(212,523)
Thereafter	-

NOTE 8 - MEDICAL, DENTAL, AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN):

Plan Description

The Albemarle County Voluntary Early Retirement Incentive Program (VERIP) is a single-employer defined benefit plan. VERIP benefits are paid monthly for a period of five years or until age 65, whichever comes first. In addition to the monthly stipend, the County will pay an amount equivalent to the Authority's annual contribution toward medical insurance. Participants may accept it as a cash payment, or apply it toward the cost of the continuation of their County medical/dental benefits. To be eligible, employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the County in a benefits-eligible position for 10 of the last 13 years prior to retirement. The plan is administered by the County and does not have a separate financial report.

The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits provided to eligible retirees include Medical, Dental, and Life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

Contributions

The Authority does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the Albemarle-Charlottesville Regional Jail Authority for OPEB as the benefits came due during the year ended June 30, 2018 was \$29,000.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 8 - MEDICAL, DENTAL, AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN): (continued)

Total OPEB Liability

The Albemarle-Charlottesville Regional Jail Authority's total OPEB liability was measured as of June 30, 2017. The total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.2% per year as of June 30, 2017; 2.2% per year as of June 30, 2018
Salary Increases	The salary increase rate starts at 3.15% salary increase for 1 year of service and gradually declines to 1.3% salary increase for 20 or more years of service
Discount Rate	2.85% per year as of June 30, 2017; 3.58% per year as of June 30, 2018

Mortality rates for Active employees and healthy retirees were based on a RP-2000 Fully Generational Combined Healthy table while mortality rates for disabled retirees were based on a RP-2000 Disabled Mortality Table.

The date of the most recent actuarial experience study for which significant assumptions were based July 1, 2018.

Discount Rate

The final equivalent single discount rate used for this year's valuation is 3.58% as of the end of the fiscal year with the expectation that the Albemarle-Charlottesville Regional Jail Authority will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		<u>Total OPEB Liability</u>
Balances at June 30, 2016	\$	2,583,726
Changes for the year:		
Service cost		234,699
Interest		73,223
Changes in assumptions		(192,763)
Benefit payments		<u>(29,000)</u>
Net changes	\$	<u>86,159</u>
Balances at June 30, 2017	\$	<u><u>2,669,885</u></u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 8 - MEDICAL, DENTAL, AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN): (continued)

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

The following amounts present the total OPEB liability of the Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate:

		Rate		
		1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
ACRJ	\$	2,937,616	2,669,885	\$ 2,428,370

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

The following presents the total OPEB liability of the Albemarle-Charlottesville Regional Jail Authority as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (2.90%) or one percentage point higher (4.90%) than the current healthcare cost trend rates:

		Rates		
		1% Decrease (2.90%)	Healthcare Cost Trend (3.90%)	1% Increase (4.90%)
ACRJ	\$	2,352,577	\$ 2,669,885	\$ 3,044,111

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

For the year ended June 30, 2018, the Albemarle-Charlottesville Regional Jail Authority recognized OPEB expense in the amount of \$280,384. At June 30, 2018, the Albemarle-Charlottesville Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		ACRJ	
		Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$	-	\$ 165,225
Total	\$	-	\$ 165,225

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 8 - MEDICAL, DENTAL, AND LIFE INSURANCE - PAY-AS-YOU-GO (OPEB PLAN): (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>ACRJ</u>
2019	\$ (27,538)
2020	(27,538)
2021	(27,538)
2022	(27,538)
2023	(27,538)
Thereafter	(27,535)

Additional disclosures on changes in net 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 (GLI) PROGRAM (OPEB PLAN):

Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)***Plan Description (Continued)***

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$40,437 and \$39,174 for the years ended June 30, 2018 and June 30, 2017, respectively.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

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

At June 30, 2018, the entity reported a liability of \$615,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .04084% as compared to .04017% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$9,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,000
Change in assumptions	-	32,000
Changes in proportion	10,000	-
Employer contributions subsequent to the measurement date	40,437	-
Total	\$ 50,437	\$ 68,000

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (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)

\$40,437 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (12,000)
2020	(12,000)
2021	(12,000)
2022	(12,000)
2023	(6,000)
Thereafter	(4,000)

Actuarial Assumptions

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

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - Teachers (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 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.

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - JRS 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	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.

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Actuarial Assumptions: (continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	1,202,581
Plan Fiduciary Net Position		587,581
Employers' Net GLI OPEB Liability (Asset)	\$	615,000
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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

Long-Term Expected Rate of Return

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

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018 (continued)

NOTE 9 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (continued)

Long-Term Expected Rate of Return (continued)

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

Discount Rate

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
Authority's proportionate				
share of the Group Life				
Insurance Program				
Net OPEB Liability	\$	795,000	\$ 615,000	\$ 469,000

Group Life Insurance Program Fiduciary Net Position

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY**Notes to Financial Statements
As of June 30, 2018 (continued)**

NOTE 10 - INMATE COST PER DIEM:

The Authority has a designed capacity of 329 inmates yielding a total of 120,085 inmate days per year. Actual inmate days totaled 169,943 for the year ended June 30, 2018 and 170,544 for 2017. Costs incurred in the operation of the Authority are as follows:

	<u>2018</u>	<u>2017</u>
Total operating expenses per budgetary basis	\$ 15,157,296	\$ 14,997,306
Less:		
Charges to others for inmate care and other sources	(901,874)	(895,768)
Reimbursed expenditures from the Commonwealth	<u>(5,637,473)</u>	<u>(5,460,021)</u>
Net cost to participant localities	\$ <u>8,617,949</u>	\$ <u>8,641,517</u>
Total inmate days for participant localities	<u>169,943</u>	<u>170,544</u>
Actual local cost per diem	<u>\$ 50.71</u>	<u>\$ 50.67</u>

The City of Charlottesville and Counties of Albemarle and Nelson contributions to the Authority include costs for services based on bed days plus debt service requirements for the jail expansion bonds.

NOTE 11 - LITIGATION:

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

NOTE 12 - FISCAL AGENT:

The County of Albemarle serves as fiscal agent for the Authority. As a part of the fiscal agent agreement, the County provides treasury, accounting, purchasing and personnel services for the Authority.

NOTE 13 - OPERATING RESERVE FUND:

As a requirement of the jail expansion bond issue, the Authority is required to fund an operating reserve equal to 25% of the Authority's operating budget. At June 30, 2018 this fund totaled \$3,134,453 and \$2,993,054 at June 30, 2017.

NOTE 14 - CAPITAL PROJECTS:

At June 30, 2018, the Authority had \$786,784 in commitments for capital projects and related subsequent year expenses and \$786,784 for the year ended June 30, 2017.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018 (continued)

NOTE 15 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in Virginia to form the VACO Risk Management Programs, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Authority pays an annual premium to the association for its workers' compensation insurance.

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 Authority continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 16 - UNEARNED REVENUE:

In January 2016 the Authority received a prepayment of a three year agreement for use of inmate telephones from IC Solutions. The Authority has recognized revenue totaling \$212,433 during the fiscal year ended June 30, 2018 and has deferred \$133,620 until fiscal year 19.

NOTE 17 - RESTATEMENT OF PRIOR PERIOD AND ADOPTION OF ACCOUNTING PRINCIPLE:

Prior period comparative statements have been restated to remove prepaid principal and interest on long-term debt. The effect of this restatement is to reduce prior period debt outstanding by \$415,372 and to increase prior period interest expense by \$80,467.

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

Net Position as originally reported June 30, 2017	\$	6,289,321
Restatement of prepaid interest		(80,467)
Implementation of GASB 75		<u>(1,714,726)</u>
Net Position as restated June 30, 2017	\$	<u><u>4,494,128</u></u>

- Required Supplementary Information -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension and Related Ratios
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,177,453	\$ 1,086,229	\$ 1,055,855	\$ 1,079,154
Interest	1,573,241	1,428,605	1,355,475	1,231,631
Differences between actual and expected experience	(273,381)	334,847	(688,167)	-
Changes in assumptions	(290,385)	-	-	-
Benefit payments, including refunds of employee contributions	(741,960)	(824,946)	(531,932)	(551,240)
Net change in total pension liability	\$ 1,444,968	\$ 2,024,735	\$ 1,191,231	\$ 1,759,545
Total pension liability - beginning	22,845,856	20,821,121	19,629,890	17,870,345
Total pension liability - ending (a)	\$ 24,290,824	\$ 22,845,856	\$ 20,821,121	\$ 19,629,890
Plan fiduciary net position				
Contributions - employer	\$ 861,313	\$ 927,719	\$ 928,667	\$ 1,035,858
Contributions - employee	374,264	359,780	359,738	347,577
Net investment income	2,477,114	352,671	833,179	2,345,078
Benefit payments, including refunds of employee contributions	(741,960)	(824,946)	(531,932)	(551,240)
Administrative expense	(13,529)	(11,406)	(10,461)	(11,815)
Other	(2,240)	(145)	(178)	123
Net change in plan fiduciary net position	\$ 2,954,962	\$ 803,673	\$ 1,579,013	\$ 3,165,581
Plan fiduciary net position - beginning	19,968,246	19,164,573	17,585,560	14,419,979
Plan fiduciary net position - ending (b)	\$ 22,923,208	\$ 19,968,246	\$ 19,164,573	\$ 17,585,560
Authority's net pension liability - ending (a) - (b)	\$ 1,367,616	\$ 2,877,610	\$ 1,656,548	\$ 2,044,330
Plan fiduciary net position as a percentage of the total pension liability	94.37%	87.40%	92.04%	89.59%
Covered payroll	\$ 7,533,452	\$ 7,218,920	\$ 7,216,060	\$ 6,952,333
Authority's net pension liability as a percentage of covered payroll	18.15%	39.86%	22.96%	29.40%

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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions - Pension
Last Ten Fiscal Years

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)	
2018	\$ 890,546	\$ 890,546	\$ -	\$ 7,717,037	11.54%
2017	869,360	869,360	-	7,533,452	11.54%
2016	929,797	929,797	-	7,218,920	12.88%
2015	929,429	929,429	-	7,216,060	12.88%
2014	1,035,898	1,035,898	-	6,952,333	14.90%
2013	1,033,509	1,033,509	-	6,936,299	14.90%
2012	867,090	867,090	-	6,644,369	13.05%
2011	844,631	844,631	-	6,472,271	13.05%
2010	782,191	782,191	-	6,819,449	11.47%
2009	754,781	754,781	-	6,580,484	11.47%

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

**Notes to Required Supplementary Information - Pension
Year Ended June 30, 2018**

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

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

Largest 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 rates to better fit experience at each year age and service through 9 years of service
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 rates to better fit experience at each year age and service through 9 years of service
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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted rates to better match experience
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 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 60% to 45%

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Pay-as-you-go

For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 234,699
Interest	73,223
Changes in assumptions	(192,763)
Benefit payments	<u>(29,000)</u>
Net change in total OPEB liability	\$ 86,159
Total OPEB liability - beginning	<u>2,583,726</u>
Total OPEB liability - ending	<u><u>\$ 2,669,885</u></u>
 Covered-employee or Covered payroll	 \$ N/A
 Authority's total OPEB liability (asset) as a percentage of covered payroll	 N/A

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information - Pay-as-you-go For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 6/30/2017

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.85% per year as of June 30, 2017; 3.58% per year as of June 30, 2018
Inflation	2.2% per year as of June 30, 2017; 2.2% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.4% in 2017 and gradually declines to 3.9% by the year 2075
Salary Increase Rates	The salary increase rate starts at 3.15% salary increase for 1 year of service and gradually declines to 1.3% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2000 Fully Generational Combined Healthy Table. The mortality rates for disabled retirees was calculated using the RP 2000 Disabled Mortality Table.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.04084% \$	615,000 \$	7,533,452	8.16%	48.86%

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2018 and June 30, 2017

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2018	\$ 40,437	\$ 40,437	\$ -	\$ 7,717,037	0.52%
2017	39,174	39,174	-	7,533,452	0.52%

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
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 rates to better fit experience at each year age and service through 9 years of service
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 year 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 year 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%

- Other Supplementary Information -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Revenues and Expenses
Budgetary Basis
Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services:				
Care of inmates:				
City of Charlottesville	\$ 4,591,150	\$ 4,591,150	\$ 4,579,598	\$ (11,552)
County of Albemarle	3,541,819	3,541,819	3,533,072	(8,747)
County of Nelson	618,746	618,746	617,149	(1,597)
Other localities	7,000	7,000	13,453	6,453
Federal	125,000	125,000	153,055	28,055
Work release	96,000	96,000	90,291	(5,709)
Inmate telephone	213,000	213,000	214,774	1,774
Daily inmate charges	85,000	85,000	74,333	(10,667)
Other	180,000	180,000	181,174	1,174
Total charges for services	\$ 9,457,715	\$ 9,457,715	\$ 9,456,899	\$ (816)
Miscellaneous:				
Other	\$ 132,000	\$ 132,000	\$ 174,794	\$ 42,794
Intergovernmental:				
Revenue from the Commonwealth:				
Department of Corrections	960,000	960,000	871,973	(88,027)
Total operating revenues	\$ 10,549,715	\$ 10,549,715	\$ 10,503,666	\$ (46,049)
Expenses:				
Compensation and related items:				
Salaries and wages	\$ 8,452,134	\$ 8,452,134	\$ 8,301,977	\$ 150,157
Fringes:				
Social security and medicare taxes	646,428	646,428	620,542	25,886
Retirement	946,080	946,080	890,546	55,534
Health insurance	1,623,148	1,623,148	1,273,410	349,738
Dental insurance	40,000	40,000	34,820	5,180
Life insurance	107,159	107,159	101,093	6,066
Unemployment	10,000	10,000	2,288	7,712
Workers compensation	118,000	118,000	95,970	22,030
Employee physical assessments	2,000	2,000	4,613	(2,613)
Other employee benefits	31,500	31,500	30,027	1,473
Total compensation and related items	\$ 11,976,449	\$ 11,976,449	\$ 11,355,286	\$ 621,163
Contractual:				
Legal	\$ 32,200	\$ 32,200	\$ 32,151	\$ 49
Professional services	7,000	7,000	6,773	227
Health services	394,650	394,650	407,872	(13,222)
Audit	11,250	11,250	10,925	325
Repairs and maintenance	66,750	66,750	57,344	9,406
Maintenance contracts	99,915	99,915	81,248	18,667

Schedule of Revenues and Expenses
 Budgetary Basis
 Year Ended June 30, 2018 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenses: (continued)				
Contractual: (continued)				
Printing and binding	\$ 4,050	\$ 4,050	\$ 90	\$ 3,960
Advertising	3,000	3,000	3,677	(677)
Other purchased services	10,700	10,700	15,578	(4,878)
Refuse collection	22,520	22,520	24,065	(1,545)
Administration fees	152,425	152,425	152,425	-
Data processing	46,900	46,900	52,624	(5,724)
Total contractual	\$ 851,360	\$ 851,360	\$ 844,772	\$ 6,588
Other charges:				
Electrical	\$ 220,000	\$ 220,000	\$ 215,934	\$ 4,066
Heating	100,000	100,000	74,992	25,008
Water and sewer	280,000	280,000	324,847	(44,847)
Postal services	8,200	8,200	3,907	4,293
Telecommunications	53,600	53,600	45,877	7,723
Fire insurance	24,500	24,500	39,982	(15,482)
Automotive insurance	6,500	6,500	4,773	1,727
Work release insurance	-	-	-	-
Leases, rentals	18,192	18,192	14,936	3,256
Training - Academy	75,000	75,000	79,119	(4,119)
Travel - education	46,090	46,090	39,163	6,927
Travel - subsistence	1,000	1,000	9,363	(8,363)
Miscellaneous	12,250	12,250	21,793	(9,543)
Inclement weather	2,000	2,000	876	1,124
Dues and memberships	14,319	14,319	14,113	206
Office supplies	41,250	41,250	56,565	(15,315)
Food supplies	828,000	828,000	920,977	(92,977)
Medical and lab supplies	381,700	381,700	516,265	(134,565)
Laundry and janitorial supplies	60,200	60,200	68,531	(8,331)
Kitchen supplies	46,800	46,800	42,134	4,666
Linen supplies	13,000	13,000	22,334	(9,334)
Uniforms - inmates	16,500	16,500	26,688	(10,188)
Repair and maintenance supplies	62,255	62,255	56,280	5,975
Vehicle and equipment fuel, supplies, repairs	26,800	26,800	34,614	(7,814)
Police supplies	14,400	14,400	29,223	(14,823)
Uniforms and apparel	36,800	36,800	36,829	(29)
Books and subscriptions	3,600	3,600	192	3,408
Education and recreation supplies	20,580	20,580	9,275	11,305
Other operating supplies	2,500	2,500	500	2,000
Copy expense	1,500	1,500	369	1,131
Total other charges	\$ 2,417,536	\$ 2,417,536	\$ 2,710,451	\$ (292,915)

Schedule of Revenues and Expenses
 Budgetary Basis
 Year Ended June 30, 2018 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenses: (continued)				
Capital Outlay:				
Machinery and equipment	\$ 100,000	\$ 100,000	\$ 227,032	\$ (127,032)
Other	-	-	19,755	(19,755)
Total capital outlay	\$ 100,000	\$ 100,000	\$ 246,787	\$ (146,787)
Total expenses	\$ 15,345,345	\$ 15,345,345	\$ 15,157,296	\$ 188,049
Net operating income (loss)	\$ (4,795,630)	\$ (4,795,630)	\$ (4,653,630)	\$ 142,000
Nonoperating revenue (expenses):				
Debt service assessments:				
City of Charlottesville	\$ 284,421	\$ 284,421	\$ 284,421	\$ -
County of Albemarle	262,835	262,835	268,637	5,802
County of Nelson	28,379	28,379	34,130	5,751
Total debt service assessments	\$ 575,635	\$ 575,635	\$ 587,188	\$ 11,553
Interest income	\$ 10,001	\$ 10,001	\$ 56,544	\$ 46,543
Intergovernmental:				
Commonwealth of Virginia:				
Operating grants	\$ 4,719,629	\$ 4,719,629	\$ 4,765,500	\$ 45,871
Federal government:				
State Criminal Alien Assistance Program	\$ 18,000	\$ 18,000	\$ -	\$ (18,000)
Other federal	1,000	1,000	-	(1,000)
Total federal government	\$ 19,000	\$ 19,000	\$ -	\$ (19,000)
Tower lease	\$ 47,000	\$ 47,000	\$ 50,682	\$ 3,682
Debt service (expenses):				
Principal	\$ (430,896)	\$ (430,896)	\$ (415,372)	\$ 15,524
Interest	(144,739)	(144,739)	(153,206)	(8,467)
Total debt service (expenses)	\$ (575,635)	\$ (575,635)	\$ (568,578)	\$ 7,057
Net nonoperating revenues (expenses)	\$ 4,795,630	\$ 4,795,630	\$ 4,891,336	\$ 95,706
Excess (deficiency) of revenues over (under) expenses	\$ -	\$ -	\$ 237,706	\$ 237,706

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Reconciliation of the Schedule of Revenues and Expenses - Budgetary Basis
to the Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Reconciliation of excess (deficiency) of revenues over (under) expenditures to
changes in net position per the Statement of Revenues,
Expenses and Changes in Net Position:

Excess (Deficiency) of revenues over (under) expenditures per budgetary basis schedule	\$ 237,706
Acquisition of capital assets	203,565
Depreciation	(739,927)
Net VRS pension activity	331,103
Net OPEB liabilities	1,082,163
Prior period prepaid interest	80,467
Current period prepaid interest	(72,783)
Principal payments on debt	<u>415,372</u>
Changes in net position, per statement of revenues, expenses and changes in net position	\$ <u><u>1,537,666</u></u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Restricted Cash and Amounts Held for Others

As of June 30, 2018

(With Comparative Amounts for 2017)

	Work Release Account	Home Electronic Monitoring Account	Inmate Canteen Account	Inmate Commissary Account	Employee Canteen Account	Total	
						2018	2017
ASSETS							
Cash and cash equivalents	\$ 49,047	\$ 14,212	\$ 331,931	\$ 144,282	\$ 4,915	\$ 544,387	\$ 286,070
LIABILITIES							
Amounts held for others	\$ 49,047	\$ 14,212	\$ 331,931	\$ 144,282	\$ 4,915	\$ 544,387	\$ 286,070

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Restricted Cash Changes in Assets and Liabilities
Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Work Release Account				
Assets:				
Cash	\$ <u>19,818</u>	\$ <u>442,921</u>	\$ <u>413,692</u>	\$ <u>49,047</u>
Liabilities:				
Amounts held for others	\$ <u>19,818</u>	\$ <u>442,921</u>	\$ <u>413,692</u>	\$ <u>49,047</u>
Home Electronic Monitoring Account				
Assets:				
Cash	\$ <u>24,250</u>	\$ <u>43,452</u>	\$ <u>53,490</u>	\$ <u>14,212</u>
Liabilities:				
Amounts held for others	\$ <u>24,250</u>	\$ <u>43,452</u>	\$ <u>53,490</u>	\$ <u>14,212</u>
Inmate Canteen Account				
Assets:				
Cash	\$ <u>193,029</u>	\$ <u>218,671</u>	\$ <u>79,769</u>	\$ <u>331,931</u>
Liabilities:				
Amounts held for others	\$ <u>193,029</u>	\$ <u>218,671</u>	\$ <u>79,769</u>	\$ <u>331,931</u>
Inmate Administration Account				
Assets:				
Cash	\$ <u>46,951</u>	\$ <u>1</u>	\$ <u>46,952</u>	\$ <u>-</u>
Liabilities:				
Amounts held for others	\$ <u>46,951</u>	\$ <u>1</u>	\$ <u>46,952</u>	\$ <u>-</u>
Inmate Commissary Account				
Assets:				
Cash	\$ <u>-</u>	\$ <u>1,116,162</u>	\$ <u>971,880</u>	\$ <u>144,282</u>
Liabilities:				
Amounts held for others	\$ <u>-</u>	\$ <u>1,116,162</u>	\$ <u>971,880</u>	\$ <u>144,282</u>
Employee Canteen Account				
Assets:				
Cash	\$ <u>2,022</u>	\$ <u>10,857</u>	\$ <u>7,964</u>	\$ <u>4,915</u>
Liabilities:				
Amounts held for others	\$ <u>2,022</u>	\$ <u>10,857</u>	\$ <u>7,964</u>	\$ <u>4,915</u>
Total				

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Board Members of
Albemarle-Charlottesville Regional Jail Authority
Charlottesville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Albemarle-Charlottesville Regional Jail Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albemarle-Charlottesville 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albemarle-Charlottesville Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Albemarle-Charlottesville 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 Albemarle-Charlottesville 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, Farnell, Cox Associates

Charlottesville, Virginia
November 26, 2018