

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION

(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

ROCKBRIDGE COUNTY
REGIONAL JAIL COMMISSION
(A COMPONENT UNIT OF THE
COUNTY OF ROCKBRIDGE, VIRGINIA)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

**ROCKBRIDGE COUNTY
REGIONAL JAIL COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)**

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

COMMISSION MEMBERS

Chairman

Randy Hamilton, Sheriff
City of Buena Vista

Vice Chairman

Noah Simon
City of Lexington

Jay Scudder
City of Buena Vista

Chris Blalock, Sheriff
County of Rockbridge and City of Lexington

Spencer Suter
County of Rockbridge

Ed Hasken
County of Rockbridge

Tom McCraw
Town of Goshen

Derek Almarode, Superintendent

Lee Taylor, Attorney

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF THE ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA)
LEXINGTON, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Rockbridge County Regional Jail Commission (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Rockbridge County Regional Jail Commission (a component unit of the County of Rockbridge, Virginia), as of June 30, 2018, and the respective changes in financial position 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 2 to the financial statements, in 2018, the Commission 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 2 to the financial statements, in 2018, the Commission restated beginning balances 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 budgetary comparison information and schedules related to pension and OPEB funding on pages 54-55 and 56-66 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of Rockbridge County Regional Jail Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rockbridge County Regional Jail Commission'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 Rockbridge County Regional Jail Commission's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Staunton, Virginia
March 20, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 1

Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents with fiscal agent	\$ 200
Receivables:	
Accounts receivable	12,264
Due from other governmental units	437,236
Prepaid items	28,793
Capital assets (net of accumulated depreciation):	
Buildings and system	2,854,960
Machinery and equipment	98,042
Total assets	\$ <u>3,431,495</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 188,023
OPEB related items	10,107
Total deferred outflows of resources	\$ <u>198,130</u>
LIABILITIES	
Accounts payable	\$ 142,692
Due to Rockbridge County	155,193
Long-term liabilities:	
Due within one year	41,807
Due in more than one year	1,264,638
Total liabilities	\$ <u>1,604,330</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 250,910
OPEB related items	13,782
Total deferred inflows of resources	\$ <u>264,692</u>
NET POSITION	
Investment in capital assets	\$ 2,953,002
Unrestricted	(1,192,399)
Total net position	\$ <u><u>1,760,603</u></u>

The notes to financial statements are an integral part of this statement.

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ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 3,722,362	\$ 1,922,664	\$ 1,767,256	\$ -
Total governmental activities	\$ 3,722,362	\$ 1,922,664	\$ 1,767,256	\$ -

General revenues:

 Unrestricted revenues from use of money and property

 Miscellaneous

 Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

The notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position	
Regional Jail Commission	
Governmental Activities	Total
\$ (32,442)	\$ (32,442)
\$ (32,442)	\$ (32,442)

\$ 156	\$ 156
3,861	3,861
\$ 4,017	\$ 4,017
\$ (28,425)	\$ (28,425)
1,789,028	1,789,028
\$ 1,760,603	\$ 1,760,603

FUND FINANCIAL STATEMENTS

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 3

Balance Sheet
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents with fiscal agent (Note 5)	\$	200
Accounts receivable		12,264
Due from governmental units (Note 6)		437,236
Prepaid items		<u>28,793</u>

Total assets	\$	<u><u>478,493</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	142,692
Due to Rockbridge County		<u>155,193</u>

Total liabilities	\$	<u>297,885</u>
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FUND BALANCE

Nonspendable:

Prepaid items	\$	28,793
Assigned for future appropriation by board		<u>151,815</u>

Total fund balance	\$	<u>180,608</u>
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Total liabilities and fund balance	\$	<u><u>478,493</u></u>
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The notes to financial statements are an integral part of this statement.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 4

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet		\$	180,608
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Buildings and system	\$	2,854,960	
Machinery and equipment		<u>98,042</u>	
			2,953,002
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	188,023	
OPEB related items		<u>10,107</u>	
			198,130
Long-term liabilities, including accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences	\$	(167,228)	
Net pension liability		(900,708)	
Net OPEB liability		<u>(238,509)</u>	
			(1,306,445)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(250,910)	
OPEB related items		<u>(13,782)</u>	
			<u>(264,692)</u>
Net position of governmental activities		\$	<u><u>1,760,603</u></u>

The notes to financial statements are an integral part of this statement.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 5

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

Revenues:	
Revenue from use of money and property	\$ 156
Charges for services	1,922,664
Miscellaneous	3,861
Intergovernmental	<u>1,767,256</u>
Total revenues	\$ <u>3,693,937</u>
Expenditures:	
Public Safety:	
Personnel costs	\$ 1,509,884
Fringe benefits	576,876
Contractual services	531,530
Other charges	1,032,156
Capital outlay	<u>74,344</u>
Total expenditures	\$ <u>3,724,790</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (30,853)
Fund balance, beginning of year	<u>211,461</u>
Fund balance, end of year	\$ <u><u>180,608</u></u>

The notes to financial statements are an integral part of this statement.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 6

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(30,853)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$	78,553	
Depreciation expense		<u>(161,337)</u>	
			(82,784)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$	(5,265)	
Pension expense		90,101	
OPEB expense		<u>376</u>	
			<u>85,212</u>

Change in net position of governmental activities	\$	<u><u>(28,425)</u></u>
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The notes to financial statements are an integral part of this statement.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 7

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u><u>67,810</u></u>
LIABILITIES	
Amounts held for canteen purchases	\$ 54,935
Amounts held for inmate benefits	9,823
Amounts held for employee benefits	<u>3,052</u>
Total liabilities	\$ <u><u>67,810</u></u>

The notes to financial statements are an integral part of this statement.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

The Cities of Lexington and Buena Vista and Rockbridge County entered into a Service Contract dated February 19, 1985, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments within its region who participate in the Commission, which was created by Resolution of the participating local governments. Rockbridge County shall appoint one member, the City of Lexington shall appoint one member, and the City of Buena Vista shall appoint one member (all of which shall be a resident of either Goshen or Glasgow). In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

B. Financial Reporting Entity:

A separate report is prepared for the County of Rockbridge, Virginia which includes all agencies, boards, commissions, and authorities over which the County exercises or has the ability to exercise oversight. The Commission is a component unit of the County of Rockbridge, Virginia and is included in the financial statements of the County.

C. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Commission does not have any business-type activities to report.

The statement of net position is designed to display the financial position of the primary government (governmental activities). Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense, the cost of “using up” capital assets, in the statement of activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and, 3) unrestricted.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

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

C. Government-wide and Fund Financial Statements: (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of financial budget and actual results.

D. Measurement Focus, Basis of Accounting, and Financial Statements Presentation:

The Commission's government-wide financial statements (i.e., the statement of net position and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety) which is otherwise being supported by general government revenues (certain intergovernmental revenues, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety) or a business-type activity.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

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

D. Measurement Focus, Basis of Accounting, and Financial Statements Presentation: (Continued)

In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Commission reports the following governmental fund.

a. General Fund

The General Fund is the primary operating fund of the Commission. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

2. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the Commission in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

1. Cash and Cash Equivalents:

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Use of Estimates:

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:
(Continued)

4. Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the governmental activities columns in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. All assets, other than buildings, are depreciated using the straight-line method over a life of five years. Buildings are depreciated over a life of 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

5. Accounts Receivable:

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

6. 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.

7. Net Position Flow Assumption:

Sometimes the Commission 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 Commission's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Deferred Outflows/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 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 Commission has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:
(Continued)

8. Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has one type of item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities. For more detailed information on these items, reference the related notes.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement.

10. Fund Equity:

The Commission reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/ Fund Balance:
(Continued)

10. Fund Equity: (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Commission's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

F. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Rockbridge County Regional Jail Commission's Retirement Plan and the additions to/deductions from the Rockbridge County Regional Jail Commission'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.

G. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Medical, Dental, and Prescription Insurance – Pay as You Go Program

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined based on an actuarial valuation. Benefit payments are recognized when due and payable in accordance with the benefit terms.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The Commission 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 Commission 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 Statements resulted in the following restatement of net position:

Net position as reported at June 30, 2017	\$ 1,961,588
Implementation of GASB 75:	
To remove OPEB health insurance obligation as reported under GASB 45:	
Net OPEB obligation for health insurance as reported at June 30, 2017	70,000
To increase the net OPEB liability for health insurance based on revised actuarial valuation:	
Net OPEB liability for health insurance as reported at June 30, 2017 per revised actuarial valuation	(108,000)
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resources as of June 30, 2017:	
GLI net OPEB liability at June 30, 2017, as restated	(142,496)
Deferred outflow of resources related to GLI net OPEB liability at June 30, 2017, as restated	7,936
Net position as restated at June 30, 2017	<u><u>\$ 1,789,028</u></u>

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize the Commission to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Commission had no investments at the end of the fiscal year.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 4—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The following procedures are used by the Commission in establishing the budgetary data reflected in the financial statements:

1. Prior to February 1, the Superintendent submits to the Commission a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
3. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Commission. The Commission is authorized to transfer budget amounts within line items.
4. Formal budgetary integration is employed as a management control device during the year for the Commission (a component unit of the County of Rockbridge, Virginia).
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30 for all Funds.
7. All budgetary data presented in the accompanying financial statements is the adjusted budget as provided by the Commission.

NOTE 5—FISCAL AGENT:

The Treasurer of the County of Rockbridge, Virginia is the fiscal agent for the Rockbridge County Regional Jail Commission (a component unit of the County of Rockbridge, Virginia).

NOTE 6—DUE FROM OTHER GOVERNMENTAL UNITS:

Commonwealth of Virginia	\$	220,800
Other localities:		
City of Buena Vista		86,178
County of Rockbridge		125,293
City of Lexington		4,965
Total	\$	<u>437,236</u>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 7—CAPITAL ASSETS:

A summary of capital assets is summarized below:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Being Depreciated:				
Jail facility	\$ 6,000,623	\$ -	\$ -	\$ 6,000,623
Food service equipment	73,170	-	-	73,170
Washers/dryers	20,253	-	-	20,253
Communications	7,106	-	-	7,106
Office equipment	49,762	-	-	49,762
Telephone system	24,765	-	-	24,765
Other equipment	350,009	78,553	-	428,562
Subtotal Capital Assets Being Depreciated	\$ 6,525,688	\$ 78,553	\$ -	\$ 6,604,241
Accumulated Depreciation:				
Jail facility	\$ (2,995,648)	\$ (150,015)	\$ -	\$ (3,145,663)
Food service equipment	(73,170)	-	-	(73,170)
Washers/dryers	(20,253)	-	-	(20,253)
Communications	(7,106)	-	-	(7,106)
Office equipment	(49,762)	-	-	(49,762)
Telephone system	(24,765)	-	-	(24,765)
Other equipment	(319,198)	(11,322)	-	(330,520)
Total Accumulated Depreciation	\$ (3,489,902)	\$ (161,337)	\$ -	\$ (3,651,239)
Net Capital Assets	\$ 3,035,786	\$ (82,784)	\$ -	\$ 2,953,002

Depreciation expense for the fiscal year totaled \$161,337.

NOTE 8—COMPENSATED ABSENCES:

The Commission accrues the liability arising from compensated absences. No benefits or pay is received for unused sick leave upon termination. The Commission has outstanding accrued vacation pay totaling \$167,228 at June 30, 2018.

NOTE 9—LONG-TERM OBLIGATIONS:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Current Portion
Net OPEB liabilities	\$ 250,496	\$ 14,504	\$ 26,491	\$ 238,509	\$ -
Net pension liability	1,389,947	742,173	1,231,412	900,708	-
Compensated absences	161,963	45,756	40,491	167,228	41,807
Total long-term obligations	\$ 1,802,406	\$ 802,433	\$ 1,298,394	\$ 1,306,445	\$ 41,807

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment, through the County of Rockbridge, Virginia. 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. However, several entities participate in the VRS plan through County of Rockbridge, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. 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 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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 Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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.) <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.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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.

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 Commission's contractually required employer contribution rate for the year ended June 30, 2018 was 12.93% 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 Commission were \$183,844 and \$194,797 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

At June 30, 2018, the Commission reported a liability of \$900,708 for its proportionate share of the net pension liability. The Commission'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. The Commission's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 and 2016, the Commission's proportion was 23.4% and 23.3%, respectively.

Actuarial Assumptions – General Employees

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

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

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

* 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 at 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 at 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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—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%

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ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County of Rockbridge'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.

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 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%

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%

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

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 Commission'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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Commission'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%)
Rockbridge Regional Jail Commission's proportionate share of the County Retirement Plan			
Net Pension Liability (Asset)	\$ 1,892,300	\$ 900,708	\$ 71,407

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

For the year ended June 30, 2018, the Commission recognized pension expense of \$93,526. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. At June 30, 2018, the Commission 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	\$ 4,179	\$ 105,792
Change in assumptions	-	31,947
Net difference between projected and actual earnings on pension plan investments	-	104,540
Change in proportional allocation	-	8,631
Employer contributions subsequent to the measurement date	183,844	-
Total	\$ 188,023	\$ 250,910

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

\$183,844 reported as deferred outflows of resources related to pensions resulting from the Commission'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	\$	(122,938)
2020		(31,235)
2021		(26,094)
2022		(66,464)
Thereafter		-

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ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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>

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ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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 \$8,239 and \$7,936 for the years ended June 30, 2018 and June 30, 2017, respectively.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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 Commission reported a liability of \$124,509 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 0.00827% as compared to 0.00815% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$1,635. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,803
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,672
Change in assumptions	-	6,307
Changes in proportion	1,868	-
Employer contributions subsequent to the measurement date	<u>8,239</u>	<u>-</u>
Total	<u>\$ 10,107</u>	<u>\$ 13,782</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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)

\$8,239 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	\$ (2,570)
2020	(2,570)
2021	(2,570)
2022	(2,570)
2023	(1,402)
Thereafter	(232)

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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%

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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%

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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%

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 11—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 following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
Commission's proportionate share of the Group Life Insurance Program				
Net OPEB Liability	\$	161,184	\$	124,509
				\$ 94,842

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.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 12—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):

Plan Description

In addition to the pension benefits described in Note 10, the Commission participates in a single-employer defined benefit healthcare plan, the County of Rockbridge OPEB Plan. Several entities participate in the defined benefit healthcare plan through the County of Rockbridge and the participating entities report their proportionate information on the basis of a cost-sharing plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Prescription insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the Commission who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits if they have at least 5 years of service with the Commission.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	33
Total retirees with coverage	<u>2</u>
Total	<u><u>35</u></u>

Contributions

The Commission 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 of Rockbridge Board. The Commission paid \$5,000 for OPEB as the benefits came due during the year ended June 30, 2018.

Total OPEB Liability

The Commission's total OPEB liabilities were measured as of July 1, 2017. The total OPEB liabilities were determined by an actuarial valuation as of July 1, 2016.

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 12—MEDICAL, DENTAL, AND PRESCRIPTION INSURANCE – PAY AS YOU GO (OPEB PLAN):
(CONTINUED)

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:

Salary Increases	2.5% per year for general salary inflations
Discount Rate	The discount rate has been set to equal 3.56% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2017

Mortality rates for Active employees and healthy retirees were based on a RPH-2015 Total Dataset Mortality Table fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate has been set to 3.56% and represents the Municipal GO AA20-year yield curve rate as of June 30, 2017. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the Commission will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

		Commission
		<u>Total OPEB Liability</u>
Balances at June 30, 2017	\$	108,000
Changes for the year:		
Service cost		7,000
Interest		4,000
Benefit payments		(5,000)
Net changes	\$	<u>6,000</u>
Balances at June 30, 2018	\$	<u><u>114,000</u></u>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (Continued)

NOTE 12—MEDICAL, DENTAL, AND PRESCRIPTION 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 Commission, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

Rate		
1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 126,410	\$ 114,000	\$ 103,033

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

The following presents the total OPEB liability of the Commission, 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 (6.5%) or one percentage point higher (8.5%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.5% decreasing to 4.00%)	Healthcare Cost Trend (7.50% decreasing to 5.00%)	1% Increase (8.5% decreasing to 6.00%)
\$ 100,147	\$ 114,000	\$ 130,739

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

For the year ended June 30, 2018, the Commission recognized OPEB expense in the amount of \$11,000. At June 30, 2018, the Commission did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

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

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Revenues, Expenditures and Changes in Fund Balance --
Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenue from local sources:				
Interest	\$ 50	\$ 50	\$ 156	\$ 106
Work release	52,560	52,560	25,507	(27,053)
Trust work program	-	-	13,734	13,734
Other localities	1,652,532	1,652,532	1,809,533	157,001
Inmate phone system	44,400	44,400	50,472	6,072
Refund and rebates	5,000	5,000	3,804	(1,196)
H.E.M. program	26,280	26,280	8,714	(17,566)
Daily inmate housing fee	-	-	1,616	1,616
Inmate processing fee	5,000	5,000	6,100	1,100
Co-payment and medical services	3,000	3,000	6,988	3,988
Restitution for damaged property	-	-	57	57
Total revenue from local sources	\$ 1,788,822	\$ 1,788,822	\$ 1,926,681	\$ 137,859
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and fringes	\$ 1,585,911	\$ 1,585,911	\$ 1,411,451	\$ (174,460)
Reimbursement of office expenses	-	-	110,200	110,200
Adult confinement	306,600	306,600	245,605	(60,995)
Total revenue from the Commonwealth	\$ 1,892,511	\$ 1,892,511	\$ 1,767,256	\$ (125,255)
Total revenues	\$ 3,681,333	\$ 3,681,333	\$ 3,693,937	\$ 12,604
Expenditures:				
Public Safety:				
Salaries	\$ 1,647,580	\$ 1,445,580	\$ 1,454,725	\$ (9,145)
Overtime and other compensation	10,000	53,876	55,159	(1,283)
D Day compensation	7,300	7,300	7,300	-
FICA	126,981	111,577	112,378	(801)
VRS	208,207	183,778	183,844	(66)
VDLP	600	409	423	(14)
Hospitalization insurance	288,480	244,360	244,455	(95)
Group life insurance	8,374	8,374	7,394	980
Workman's compensation	26,140	20,600	20,600	-
Line of duty	7,245	7,783	7,782	1
Medical services and supplies	160,000	288,179	234,507	53,672
Professional services	29,361	415,567	468,374	(52,807)
Maintenance buildings and grounds	25,000	45,000	44,340	660
Maintenance agreements	19,205	16,377	18,281	(1,904)
Advertising	500	388	285	103
Jail physician fees	200	350	250	100
Fiscal agent fee	50,000	50,000	50,000	-
Repairs motor vehicles	3,000	9,329	9,502	(173)
Trash and extermination	900	926	770	156

**Schedule of Revenues, Expenditures and Changes in Fund Balance --
Budget and Actual
For the Year Ended June 30, 2018 (Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Expenditures: (Continued)				
Public Safety: (Continued)				
Printing and copying	\$ 600	\$ 247	\$ 299	\$ (52)
Repairs furniture and equipment	4,200	24,739	23,567	1,172
Electricity, natural gas and fuel	78,400	58,326	60,512	(2,186)
Fuel	-	-	1,519	(1,519)
Water and sewer	46,000	46,616	46,616	-
Telephone and postage	11,000	12,500	13,221	(721)
Communications	7,300	12,680	12,681	(1)
Postage	-	-	98	(98)
Auto insurance	3,675	2,996	2,996	-
Insurance	6,615	5,888	5,888	-
Office supplies	10,000	11,495	15,212	(3,717)
Food supplies	313,170	301,170	300,078	1,092
Cleaning materials and supplies	24,000	21,500	22,076	(576)
Clothing and bedding inmates	12,000	12,419	13,523	(1,104)
Security supplies	4,550	5,950	6,449	(499)
Gas, oil, tires, and parts	6,200	6,200	5,658	542
Uniforms-staff	13,500	15,820	16,025	(205)
Personal supplies	4,650	991	1,280	(289)
Photographic supplies	400	-	-	-
Kitchen supplies	16,000	13,679	11,222	2,457
Emergency housing	416,000	149,000	141,942	7,058
Travel	4,000	2,000	3,615	(1,615)
Continuing education and training	21,700	21,081	21,080	1
Sustenance and lodging	2,000	2,300	2,047	253
Dues and subscriptions	2,400	2,928	2,473	455
Purchase of maintenance equipment	500	1,230	762	468
Kitchen equipment	3,000	8,653	6,945	1,708
Medical equipment	600	9	5	4
Furniture and fixtures	2,800	153	152	1
Security equipment	13,000	35,598	34,607	991
Capital improvements	28,000	31,873	31,873	-
Contingencies	6,000	300	-	300
Equipment replacement reserve funds	-	(300)	-	(300)
Total expenditures	\$ 3,681,333	\$ 3,717,794	\$ 3,724,790	\$ (6,996)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (36,461)	\$ (30,853)	\$ 5,608
Fund balance, beginning of year	-	36,461	211,461	175,000
Fund balance, end of year	\$ -	\$ -	\$ 180,608	\$ 180,608

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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Schedule of Commission's Proportionate Share of the Net Pension Liability - Pension Plan
For the Years Ended June 30, 2015 through June 30, 2018

Date (1)*	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2017	23.3560%	\$ 900,708	\$ 1,506,551	59.79%	88.74%
2016	23.3000%	1,389,947	1,453,599	95.62%	82.17%
2015	23.7000%	1,116,180	1,430,478	78.03%	85.28%
2014	23.7000%	966,272	1,433,493	67.41%	86.62%

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.

* Date of valuation

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
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Exhibit 10

Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 183,844	\$ 183,844	\$ -	\$ 1,445,076	12.72%
2017	194,797	194,797	-	1,506,551	12.93%
2016	203,940	203,940	-	1,453,599	14.03%
2015	200,696	200,696	-	1,430,478	14.03%
2014	191,456	191,456	-	1,433,493	13.34%
2013	182,280	182,280	-	1,366,417	13.34%
2012	200,659	200,659	-	1,839,221	10.91%
2011	213,292	213,292	-	1,955,014	10.91%
2010	201,864	201,864	-	2,047,302	9.86%
2009	201,402	201,402	-	2,042,617	9.86%

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

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

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty:

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.00827% \$	124,509 \$	1,526,184	8.16%	48.86%

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

ROCKBRIDGE REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 13

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 8,239	\$ 8,239	\$ -	\$ 1,584,362	0.52%
2017	7,936	7,936	-	1,526,184	0.52%
2016	7,087	7,087	-	1,522,515	0.47%
2015	6,893	6,893	-	1,467,340	0.47%
2014	6,887	6,887	-	1,462,735	0.47%
2013	6,559	6,559	-	1,413,836	0.46%
2012	3,610	3,610	-	1,349,234	0.27%
2011	3,754	3,754	-	1,379,616	0.27%
2010	2,754	2,754	-	1,393,773	0.20%
2009	4,472	4,472	-	1,393,217	0.32%

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

VaLORS Employees

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

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 15

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios-
Medical, Dental, Prescription Insurance
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 7,000
Interest	4,000
Benefit payments	(5,000)
Net change in total OPEB liability	<u>\$ 6,000</u>
Total OPEB liability - beginning	<u>108,000</u>
Total OPEB liability - ending	<u><u>\$ 114,000</u></u>
 Covered payroll	 \$ 2,191,530
 Commission's total OPEB liability (asset) as a percentage of covered payroll	 5.20%

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

Notes to Required Supplementary Information
Medical, Dental, Prescription Insurance
For the Year Ended June 30, 2018

Valuation Date: 7/1/2016
Measurement Date: 7/1/2017

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	3.56% as of June 30, 2017
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.50% in 2018, gradually decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50% annually
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Total Dataset Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

OTHER SUPPLEMENTARY INFORMATION

Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds			
	Canteen Account	Inmate Benefits Account	Employee Benefits Account	Total
ASSETS				
Cash and cash equivalents	\$ 54,935	\$ 9,823	\$ 3,052	\$ 67,810
Total assets	<u>\$ 54,935</u>	<u>\$ 9,823</u>	<u>\$ 3,052</u>	<u>\$ 67,810</u>
LIABILITIES				
Amounts held for canteen purchases	\$ 54,935	\$ -	\$ -	\$ 54,935
Amounts held for inmate benefits	-	9,823	-	9,823
Amounts held for employee benefits	-	-	3,052	3,052
Total liabilities	<u>\$ 54,935</u>	<u>\$ 9,823</u>	<u>\$ 3,052</u>	<u>\$ 67,810</u>

ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION
(A Component Unit of the County of Rockbridge, Virginia)

Exhibit 18

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Canteen Account:				
Assets:				
Cash and cash equivalents	\$ <u>55,442</u>	\$ <u>122,397</u>	\$ <u>122,904</u>	\$ <u>54,935</u>
Liabilities:				
Amounts held for canteen purchases	\$ <u>55,442</u>	\$ <u>122,397</u>	\$ <u>122,904</u>	\$ <u>54,935</u>
Inmate Benefits Account:				
Assets:				
Cash and cash equivalents	\$ <u>15,964</u>	\$ <u>285,844</u>	\$ <u>291,985</u>	\$ <u>9,823</u>
Liabilities:				
Amounts held for inmate benefits	\$ <u>15,964</u>	\$ <u>285,844</u>	\$ <u>291,985</u>	\$ <u>9,823</u>
Employee Benefits Account:				
Assets:				
Cash and cash equivalents	\$ <u>2,324</u>	\$ <u>4,199</u>	\$ <u>3,471</u>	\$ <u>3,052</u>
Liabilities:				
Amounts held for employee benefits	\$ <u>2,324</u>	\$ <u>4,199</u>	\$ <u>3,471</u>	\$ <u>3,052</u>
Work Release Account:				
Assets:				
Cash and cash equivalents	\$ <u>1,671</u>	\$ <u>65,197</u>	\$ <u>66,868</u>	\$ <u>-</u>
Liabilities:				
Amounts held for inmate benefits	\$ <u>1,671</u>	\$ <u>65,197</u>	\$ <u>66,868</u>	\$ <u>-</u>
Raid Account:				
Assets:				
Cash and cash equivalents	\$ <u>90</u>	\$ <u>9,267</u>	\$ <u>9,357</u>	\$ <u>-</u>
Liabilities:				
Amounts held for inmate benefits	\$ <u>90</u>	\$ <u>9,267</u>	\$ <u>9,357</u>	\$ <u>-</u>
TOTALS:				
Assets:				
Cash and cash equivalents	\$ <u>75,491</u>	\$ <u>486,904</u>	\$ <u>494,585</u>	\$ <u>67,810</u>
Liabilities:				
Amounts held for canteen purchases	\$ 55,442	\$ 122,397	\$ 122,904	\$ 54,935
Amounts held for inmate benefits	17,725	360,308	368,210	9,823
Amounts held for employee benefits	<u>2,324</u>	<u>4,199</u>	<u>3,471</u>	<u>3,052</u>
Total liabilities	\$ <u>75,491</u>	\$ <u>486,904</u>	\$ <u>494,585</u>	\$ <u>67,810</u>

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 OF THE ROCKBRIDGE COUNTY REGIONAL JAIL COMMISSION (A COMPONENT UNIT OF THE COUNTY OF ROCKBRIDGE, VIRGINIA) LEXINGTON, 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*, used 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 governmental activities, the major fund, and the aggregate remaining fund information of Rockbridge County Regional Jail Commission (a component unit of the County of Rockbridge, Virginia) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 20, 2019.

Internal Control over Financial Reporting

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia

March 20, 2019