

PIEDMONT REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

PIEDMONT REGIONAL JAIL AUTHORITY

Jim Davis, Superintendent

Authority Board Members and Alternates

<u>County</u>	<u>Members</u>	<u>Alternates</u>
Amelia	Thomas R. Gleason Taylor Harvie Ricky Walker, Sheriff	James Moler
Buckingham	Frank M. Knott, Jr. William Kidd, Sheriff Rebecca Carter	
Cumberland	Parker Wheeler Vivian S. Giles Darrell Hodges, Sheriff	Wade Stimpson
Lunenburg	Edward Pennington Tracy Gee Arthur Townsend, Sheriff	
Nottoway	Ronald E. Roark Larry Parrish, Sheriff Stephen W. Bowen	
Prince Edward	James Garnett, Jr. Wade Bartlett Wesley Reed, Sheriff David Wilmoth	Sarah Puckett

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE PIEDMONT REGIONAL JAIL AUTHORITY
FARMVILLE, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 15 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017 and early implemented* GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the end of a Construction Period*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 15 to the financial statements, in 2018, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-8 and 74-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Piedmont Regional Jail Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of Piedmont Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Piedmont Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Piedmont Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Fawcett, Cox Associates

Charlottesville, Virginia

November 29, 2018

PIEDMONT REGIONAL JAIL AUTHORITY

Management's Discussion and Analysis Year Ended June 30, 2018

This management's discussion and analysis of the Piedmont Regional Jail Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read this information in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

The Authority's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,420,958 (net position). This reflects an increase of \$168,599 over the prior year (net of the \$1,690,000 restatement of net position for GASB 75 implementation) compared to a decrease of \$213,702 in 2017 and an increase of \$1,117,576 in 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of the following:

1. Statement of Net Position
2. Statement of Revenues, Expenses, and Changes in Net Position
3. Statement of Cash Flows
4. Statement of Fiduciary Net Position
5. Notes to the financial statements

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used to prepare the financial statements.

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing the results of operations during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statement of cash flows presents the flow of cash resources into and out of the Authority during the year (from operations, financing, and other sources) and how those funds were applied (payment of expenses, repayment of debt, etc.).

The statement of fiduciary net position presents the balances of funds held on behalf of others. These funds are not reflected with other Authority activity because the resources of those funds are not available to support the Authority's own programs.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Overview of the Financial Statements: (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for pension and OPEB funding and other supplementary information for budgetary comparison information, changes in assets and liabilities of agency funds, and other miscellaneous information.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In this case, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,420,958 at the close of the most recent fiscal year. Based on actual activity, the financial position of the Authority has improved. In addition, there was increased liquidity, with a quick ratio (current assets/current liabilities) of 5.5:1 compared to that of 5.3:1 a year ago.

Condensed Statement of Net Position

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 5,603,917	\$ 1,838,258
Capital assets	5,991,053	3,639,203
Total assets	<u>\$ 11,594,970</u>	<u>\$ 5,477,461</u>
Deferred outflows of resources	<u>\$ 959,921</u>	<u>\$ 1,038,133</u>
Long-term liabilities	\$ 9,283,197	\$ 2,893,858
Current liabilities	1,024,678	345,975
Total liabilities	<u>\$ 10,307,875</u>	<u>\$ 3,239,833</u>
Deferred inflows of resources	<u>\$ 826,058</u>	<u>\$ 333,402</u>
Net position:		
Net investment in capital assets	\$ 3,146,702	\$ 3,639,203
Unrestricted	(1,725,744)	(696,844)
Total net position	<u><u>\$ 1,420,958</u></u>	<u><u>\$ 2,942,359</u></u>

At the end of the current fiscal year, the Authority's investment in capital assets was \$3,146,702. The Authority uses these capital assets to provide incarceration services to participating localities and other governmental entities; therefore, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position: The Authority's net position decreased by \$1,521,401. Implementation of GASB 75 reflecting a restatement of beginning balances to reflect OPEB liabilities accounts for \$1,690,000 of this change. Actual operations increased net position by \$168,599.

Financial Analysis (continued)

A comparative analysis of information is presented below:

<u>Condensed Statement of Revenues, Expenses, and Change in Net Position</u>		
	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 11,979,953	\$ 10,929,031
Operating expenses	<u>11,709,761</u>	<u>11,214,046</u>
Net operating income (loss)	\$ <u>270,192</u>	\$ <u>(285,015)</u>
Nonoperating revenues	\$ 69,196	\$ 71,313
Nonoperating expenses	<u>197,256</u>	<u>-</u>
Nonoperating revenues (expenses), net	\$ <u>(128,060)</u>	\$ <u>71,313</u>
Capital contributions	\$ <u>26,467</u>	\$ <u>-</u>
Change in net position	\$ <u>168,599</u>	\$ <u>(213,702)</u>
Net position, beginning of year, as restated	\$ <u>1,252,359</u>	\$ <u>3,156,061</u>
Net position, end of year	\$ <u><u>1,420,958</u></u>	\$ <u><u>2,942,359</u></u>

Operating revenues are defined as charges for services to participant localities and outside localities and the federal government based on the number of days that inmates are housed. Operating revenues also include grants received from the Compensation Board to help defray salary costs and other expenses. Telephone commissions, work release fees, weekender fees, home electronic monitoring fees, and other miscellaneous revenues are also reported as operating revenues.

Operating expenses are comprised of the direct expenses of operating the Authority. These include salaries and benefits, contractual services and other related operating costs (please reference the schedule of revenues and expenses for a complete breakdown of these charges).

Nonoperating revenues consist of interest earnings, rental income, gains on the disposal of capital assets, and grants. Interest expense and issuance costs comprise nonoperating expenses. Nonoperating expenses increased because of a debt financed booking/intake expansion project.

Operating revenues increased by \$1,050,922 compared to a decrease of \$1,098,113 in 2017. This reflects the increase in the number of inmates housed at the facility during the year. Charges for services showed a significant increase of \$978,529, of which \$956,219 in additional revenue was received from US Marshals. Comp board revenue decreased by \$371,838 in 2018. Fewer participants in the home electronic monitoring, work release and weekender programs resulted in decreases of \$38,743, \$27,251 and \$5,541, respectively. Operating expenses increased by \$495,715 compared to the prior year. Personnel costs increased by \$291,521 over the prior year. Medical care provider costs and payments for medical, dental and hospital services increased by \$39,755 and \$144,051, respectively.

Financial Analysis (continued)

Cash Flows: A comparative analysis of information is presented below:

Condensed Statement of Cash Flows

	<u>2018</u>	<u>2017</u>
Cash flows provided (used) by operating activities	\$ 336,815	\$ (210,931)
Cash flows provided (used) by noncapital financing activities	14,800	14,800
Cash flows provided (used) by capital and related financing activities	3,213,833	(462,514)
Cash flows provided (used) by investing activities	48,112	1,955
Net increase (decrease) in cash and cash equivalents	\$ 3,613,560	\$ (656,690)
Cash and cash equivalents, beginning of year	757,144	1,413,834
Cash and cash equivalents, end of year	<u>\$ 4,370,704</u>	<u>\$ 757,144</u>

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. The housing numbers recovered during the year resulting in positive cash flows from operating activities. Management continues to actively work with other parties to provide additional housing to achieve greater capacity.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. The Authority financed the expansion of the booking/intake area during the year.

Cash flows from investing activities include interest and investment earnings. The increase in interest income is related to earnings on debt proceeds held in the SNAP accounts.

Capital Asset and Debt Administration

Capital assets - The Authority's investment in capital assets as of June 30, 2018 amounted to \$3,639,203 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, other improvements, vehicles, and equipment. The investment in capital assets increased \$2,351,850 during the year. Additions of \$2,724,028 during the year included a new building for inmate property, mail, and storage; a conveyor for inmate property, a generator, an ice machine, six vehicles, a parking lot expansion, and several other improvements. In addition, six vehicles were sent to auction. CIP represents professional fees for architectural and engineering services and construction for the expansion of the booking/intake area, which is anticipated for completion in fiscal year 2019. Depreciation recorded in the current year totaled \$372,178.

Additional information on the Authority's capital assets can be found in Note 7 of this report.

Long-term debt - At the end of the current fiscal year, the Authority had total long-term debt and other obligations outstanding of \$9,515,188. The Authority's total debt and other long-term obligations outstanding increased by \$4,788,226 during the current fiscal year (after the beginning balance restatement for net OPEB liabilities). A revenue bond of \$3,558,200 and grant anticipation note of \$2,139,464 were issued during the year to fund the booking/intake expansion project. No payments were due during fiscal year 2018. Other obligations include the net pension liability, net OPEB liabilities, and compensated absences.

Additional information on the Authority's long-term liabilities can be found in Notes 8 and 9 of this report.

SUMMARY

As demonstrated above, the financial position of Piedmont Regional Jail Authority is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. Every effort is being made to increase the Jail's population and in turn increase revenue, with increased focus on contracts from other states. Management will continue to focus its efforts in this regard to lessen the burden on participating localities. Beginning September 1, 2018, the Authority received a \$3 per day increase in the rate for housing federal inmates.

Requests for Information

This financial report is designed to provide a general overview of the Piedmont Regional Jail Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, P.O. Drawer 388, or Rte. 676 Industrial Park Rd., Farmville, Virginia 23901.

Basic Financial Statements

PIEDMONT REGIONAL JAIL AUTHORITY

Statement of Net Position
As of June 30, 2018

ASSETS		Operating
Current Assets:		
Cash and cash equivalents	\$	1,194,372
Accounts receivable		71,565
Receivable from agency funds		15,618
Due from other governmental units		1,131,446
Prepaid items		14,584
Total current assets	\$	<u>2,427,585</u>
Noncurrent Assets:		
Restricted assets:		
Cash and cash equivalents	\$	3,176,332
Capital assets (net of accumulated depreciation):		
Land	\$	12,554
Construction in progress		2,648,292
Buildings and improvements		2,375,150
Other improvements		79,579
Furniture and equipment		641,389
Vehicles		234,089
Total capital assets	\$	<u>5,991,053</u>
Total noncurrent assets	\$	<u>9,167,385</u>
Total assets	\$	<u>11,594,970</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$	649,194
OPEB related items		310,727
Total deferred outflows of resources	\$	<u>959,921</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$	365,286
Accrued liabilities		21,311
Contracts payable		224,995
Retainage payable		98,024
Accrued interest payable		83,071
Compensated absences, current portion		55,591
Bonds and notes payable, current portion		176,400
Total current liabilities	\$	<u>1,024,678</u>
Noncurrent Liabilities:		
Compensated absences, net of current portion	\$	500,316
Net pension liability		1,386,617
Net OPEB liabilities		1,875,000
Bonds and notes payable, net of current portion		5,521,264
Total noncurrent liabilities	\$	<u>9,283,197</u>
Total liabilities	\$	<u>10,307,875</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related items	\$	627,058
OPEB related items		199,000
Total deferred inflows of resources	\$	<u>826,058</u>
NET POSITION		
Net investment in capital assets	\$	3,146,702
Unrestricted		(1,725,744)
Total net position	\$	<u>1,420,958</u>

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

	<u>Operating</u>
Operating Revenues:	
Charges for services	\$ 7,979,384
Intergovernmental	3,003,556
Telephone commission	400,906
Medical and pharmacy reimbursement	402,511
Work release fees/ week-enders	102,853
Home electronic monitoring	17,039
Miscellaneous	<u>73,704</u>
Total operating revenues	<u>\$ 11,979,953</u>
Operating Expenses:	
Personnel costs	\$ 5,221,417
Fringe benefits	1,613,395
Medical service provider	1,434,574
Contractual services	246,199
Other charges	2,821,998
Depreciation	<u>372,178</u>
Total operating expenses	<u>\$ 11,709,761</u>
Operating income (loss)	<u>\$ 270,192</u>
Nonoperating Revenues (Expenses):	
Interest income	\$ 48,112
Rental income	4,800
Grant income	10,000
Interest expense	(83,071)
Issuance costs	(114,185)
Gain (Loss) on disposal of capital assets	<u>6,284</u>
Net nonoperating revenues (expenses)	<u>\$ (128,060)</u>
Income (loss) before capital contributions	<u>\$ 142,132</u>
Capital Contributions:	
Capital contributions	<u>\$ 26,467</u>
Change in net position	\$ 168,599
Net position, beginning of year	\$ 2,942,359
Restatement for GASB 68	<u>(1,690,000)</u>
Net position, beginning of year, as restated	<u>\$ 1,252,359</u>
Net position, end of year	<u><u>\$ 1,420,958</u></u>

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

PIEDMONT REGIONAL JAIL AUTHORITY

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 11,768,961
Payments to suppliers	(4,345,764)
Payments to and for employees	(7,086,382)
Total cash flows provided by (used for) operating activities	\$ 336,815
Cash flows from noncapital financing activities:	
Technology grant	\$ 10,000
Rental income	4,800
Total cash flows provided by (used for) noncapital financing activities	\$ 14,800
Cash flows from capital and related financing activities:	
Purchase of capital assets	\$ (2,374,542)
Sale of capital assets	4,896
Debt proceeds	5,697,664
Issuance costs	(114,185)
Total cash flows provided by (used for) capital and related financing activities	\$ 3,213,833
Cash flows from investing activities:	
Interest income	\$ 48,112
Total cash flows provided by (used for) investing activities	\$ 48,112
Net increase (decrease) in cash and cash equivalents	\$ 3,613,560
Cash and cash equivalents, beginning of year	757,144
Cash and cash equivalents, end of year	\$ 4,370,704
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 270,192
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	372,178
Changes in assets/deferred outflows and liabilities/deferred inflows:	
Accounts receivable	(14,755)
Due from other funds	(11,047)
Due from other governmental units	(185,191)
Prepaid items	60,282
Deferred outflows of resources pension related items	388,939
Deferred outflows of resources OPEB related items	(223,727)
Accounts payable	95,430
Accrued expenses	1,296
Compensated absences	(5,135)
Net pension liability	(1,002,303)
Net OPEB liabilities	98,000
Deferred inflows of resources pension related items	293,656
Deferred inflows of resources OPEB related items	199,000
Total cash flows provided by (used for) operating activities	\$ 336,815
Noncash investing, capital, and financing activities:	
Equipment paid for with Commissary funds	\$ 26,467

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

PIEDMONT REGIONAL JAIL AUTHORITY

FIDUCIARY FUNDS

Statement of Fiduciary Net Position
As of June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 668,974
Due from inmate fund	135,636
Total assets	<u>\$ 804,610</u>
LIABILITIES	
Accounts payable	\$ 73,409
Payable to operating fund	15,618
Due to commissary fund	135,636
Amounts held for inmate benefits	572,772
Amounts held for employee benefits	7,175
Total liabilities	<u>\$ 804,610</u>

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

PIEDMONT REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2018

NOTE 1 - FINANCIAL REPORTING ENTITY:

The Counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway and Prince Edward entered into an agreement dated January 1, 1986, for the purpose of cooperatively establishing and administering the Piedmont Regional Jail. The Board is governed by two members (including the sheriff) from each of the participating localities and conforms to the statutory provisions of the Code of Virginia (1950) as amended. The Jail is considered to be a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. However, the localities do not retain an ongoing financial interest or responsibility. On January 1, 2017, the Jail transitioned to an Authority. The related Service Agreement with the Counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway, and Prince Edward was adopted by resolution on April 19, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Basis of Accounting:

The Authority utilizes the enterprise fund method of accounting for financial reporting purposes. Enterprise fund accounting uses the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues are charges for services. Operating expenses include the cost of providing services and comprise administrative and depreciation expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The General Fund is the primary operating fund of the Authority and accounts for all revenues and expenses applicable to the general operations of the Jail. Additionally, the Authority reports agency funds, which account for assets held by the Authority as an agent or custodian of individuals, private organizations, other governmental units or other funds. The inmate account, employee account, and commissary account are the Authority's agency funds.

B. Cash and Cash Equivalents:

The Authority's cash and cash equivalents (including cash in custody of fiscal agent) consist of cash on hand and demand deposits.

C. Investments:

Money market investments, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. The Authority's investments are limited to SNAP funds.

PIEDMONT REGIONAL JAIL AUTHORITY

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

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

D. Accounts Receivable:

Accounts receivable are stated 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.

E. Capital Assets:

To the extent the Authority's capitalization threshold of \$5,000 is met, capital outlays are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis. Construction-in-progress is depreciated upon project completion.

The following estimated useful lives are used to depreciate assets:

Buildings and improvements	30-40 years
Other improvements	15 years
Vehicles, furniture, and other equipment	5-20 years

All purchased capital assets are valued at historical cost. Donated capital assets are recorded at acquisition value on the date donated.

F. 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 liability measurement date. For more detailed information on these items, reference the related notes.

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. Certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

G. Compensated Absences:

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. All employees earn the same sick pay rate regardless of the length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year. Employees terminating their employment are paid, by the Authority, their accumulated annual leave up to the maximum limit. Unused sick leave is not paid at the date of separation. The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB No. 16, Accounting for Compensated Absences. Accordingly, the amount of annual leave recognized as expense is the amount earned during the year.

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

H. Pensions:

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

I. Other Postemployment Benefits (OPEB)

Group Life Insurance

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

Political Subdivision Employee Virginia Local Disability Program (VLDP)

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

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan'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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

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

J. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, 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.

K. Net Position Flow Assumption:

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

L. 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.

M. Budgets and Budgetary Accounting:

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

NOTE 3 - FISCAL AGENT:

The Treasurer of the County of Nottoway, Virginia is the fiscal agent for Piedmont Regional Jail Authority.

NOTE 4 - DEPOSITS AND INVESTMENTS:

Deposits:

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 4 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

Statutes authorize the Authority 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).

Credit Risk of Investments:

The Authority does not have a policy related to the credit risk of investments.

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2018 were rated by Moody's and the ratings are presented below using Moody's rating scale.

Rated Debt Investments Value	Fair Quality
	Ratings
	AAA/AAAm
State Non-Arbitrage Pool	\$ 3,176,332
Total	\$ 3,176,332

Interest Rate Risk:

The Authority does not have a policy related to interest rate risk.

Investment Maturities (in years)		
		Less than 1
	Value	Year
State Non-Arbitrage Pool	\$ 3,176,332	\$ 3,176,332
Total	\$ 3,176,332	\$ 3,176,332

External Investment Pool:

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 5 - INTERFUND BALANCES:

Interfund balances for the year ended June 30, 2018, consisted of the following:

	<u>Due From</u>	<u>Due To</u>	<u>Net</u>
Operating Account	\$ 15,618	\$ -	\$ 15,618
Inmate Account	-	136,813	(136,813)
Commissary Account	<u>135,636</u>	<u>14,441</u>	<u>121,195</u>
Net	<u>\$ 151,254</u>	<u>\$ 151,254</u>	<u>\$ -</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTE 6 - DUE FROM OTHER GOVERNMENTAL UNITS:

Per Diem and medical/pharmacy reimbursement:

Culpeper County	\$ 103,360
Powhatan County Jail	30,752
Rockbridge Regional Jail	20,512

Meal reimbursement:

Piedmont Juvenile Detention Center	2,344
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Due from Commonwealth of Virginia:

Compensation Board	351,602
Department of Corrections	211

Due from Federal Government:

Bureau of Prisons - North Carolina	273,398
Bureau of Prisons - DC	99,467
US Marshals - East and West North Carolina	184,750
US Marshals - East Richmond	8,750
US Marshals - Middle North Carolina	<u>56,300</u>

Total due from other governmental units	<u>\$ 1,131,446</u>
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PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 7 - CAPITAL ASSETS:

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 12,554	\$ -	\$ -	\$ 12,554
Construction in progress	299,988	2,348,304	-	2,648,292
Total capital assets not being depreciated	\$ 312,542	\$ 2,348,304	\$ -	\$ 2,660,846
Capital assets being depreciated:				
Buildings and improvements	\$ 5,572,693	\$ 110,314	\$ -	\$ 5,683,007
Other improvements	102,814	14,274	-	117,088
Furniture and equipment	1,394,374	123,916	-	1,518,290
Vehicles	560,850	127,220	84,407	603,663
Total capital assets being depreciated	\$ 7,630,731	\$ 375,724	\$ 84,407	\$ 7,922,048
Accumulated depreciation:				
Buildings and improvements	\$ 3,166,307	\$ 141,550	\$ -	\$ 3,307,857
Other improvements	29,703	7,806	-	37,509
Furniture and equipment	743,403	133,498	-	876,901
Vehicles	364,657	89,324	84,407	369,574
Total accumulated depreciation	\$ 4,304,070	\$ 372,178	\$ 84,407	\$ 4,591,841
Total capital assets being depreciated, net	\$ 3,326,661	\$ 3,546	\$ -	\$ 3,330,207
Net capital assets	\$ 3,639,203	\$ 2,351,850	\$ -	\$ 5,991,053

Depreciation amounted to \$372,178 at June 30, 2018.

In addition, the Authority leases a copier. The agreement is for 36 months and payments are approximately \$295 per month.

NOTE 8 - COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Authority accrued the liability arising from outstanding compensated absences. The Authority has outstanding vacation and compensation time pay totaling \$555,907 at June 30, 2018. Of this amount 10% or \$55,591 is estimated as a current obligation.

Balance, June 30, 2017	\$ 561,042
Increase (Decrease)	(5,135)
Balance, June 30, 2018	\$ 555,907

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 9 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Bonds and notes:					
Revenue Bond	\$ -	\$ 3,558,200	\$ -	\$ 3,558,200	\$ 176,400
Grant Anticipation Note	-	2,139,464	-	2,139,464	-
Total bonds and notes	\$ -	\$ 5,697,664	\$ -	\$ 5,697,664	\$ 176,400
Other obligations:					
Net pension liability	\$ 2,388,920	\$ 1,645,915	\$ 2,648,218	\$ 1,386,617	\$ -
Net OPEB liabilities	1,777,000	384,000	286,000	1,875,000	-
Compensated absences	561,042	-	5,135	555,907	55,591
Total other obligations	\$ 4,726,962	\$ 4,726,962	\$ 2,934,218	\$ 3,817,524	\$ 55,591
Total long-term liabilities	\$ 4,726,962	\$ 10,424,626	\$ 2,934,218	\$ 9,515,188	\$ 231,991

The annual requirements to amortize long-term debt are as follows:

June 30,	Principal	Interest
2019	\$ 176,400	\$ 169,914
2020	197,800	142,442
2021	2,343,164	136,488
2022	209,900	89,707
2023	216,200	83,389
2024-2028	1,182,600	315,328
2029-2033	1,371,600	126,300
Totals	\$ 5,697,664	\$ 1,063,568

As of June 30, 2018, the Authority's long-term debt consisted of the following:

Date Issued	Description	Interest Rate (a)	Amount Outstanding	Installments	Frequency
12/1/2017	Jail Facility Revenue Bond, 2017	3.01%	\$ 3,558,200	\$176,400 - \$290,800	Annual
12/1/2017	Grant Revenue Anticipation Note, 2017	1.90%	2,139,464	See note (b) below	N/A

(a) Interest payments due semi-annually on each February 1 and August 1 commencing August 1, 2018.

(b) On February 1, 2021, the entire unpaid principal balance is due and payable.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 10 - RISK MANAGEMENT:

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

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

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

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

NOTE 11 - LITIGATION:

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

NOTE 12 - PENSION PLAN:

Plan Description

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description

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. • 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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>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>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>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>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. <p>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>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>
<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>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service (Cont.)	Creditable Service (Cont.) Same as Plan 1.	Creditable Service (Cont.) <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>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>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - 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>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - 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>Defined Contribution Component: Not applicable.</p>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - 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>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - 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>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

Pension Plan Data

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	35
Inactive members:	
Vested inactive members	12
Non-vested inactive members	103
Inactive members active elsewhere in VRS	<u>91</u>
Total inactive members	206
Active members	<u>122</u>
Total covered employees	<u><u>363</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 13.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$643,737 and \$598,717 for the years ended June 30, 2018 and June 30, 2017, respectively.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees: (Continued)

Mortality rates: (Continued)

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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%

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - 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 Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety 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 - 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%

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - 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 Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 13,752,684	\$ 11,363,764	\$ 2,388,920
Changes for the year:			
Service cost	\$ 690,790	\$ -	\$ 690,790
Interest	946,183	-	946,183
Changes of assumptions	(190,981)	-	(190,981)
Differences between expected and actual experience	(208,204)	-	(208,204)
Contributions - employer	-	595,603	(595,603)
Contributions - employee	-	238,371	(238,371)
Net investment income	-	1,415,059	(1,415,059)
Benefit payments, including refunds of employee contributions	(471,562)	(471,562)	-
Administrative expenses	-	(7,659)	7,659
Other changes	-	(1,283)	1,283
Net changes	\$ 766,226	\$ 1,768,529	\$ (1,002,303)
Balances at June 30, 2016	\$ 14,518,910	\$ 13,132,293	\$ 1,386,617

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Jail's Net Pension Liability	\$ 3,454,653	\$ 1,386,617	\$ (317,511)

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2018, the Authority recognized pension expense of \$320,915. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,457	\$ 301,401
Change in assumptions	-	126,678
Net difference between projected and actual earnings on pension plan investments	-	198,979
Employer contributions subsequent to the measurement date	<u>643,737</u>	<u>-</u>
Total	<u>\$ 649,194</u>	<u>\$ 627,058</u>

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

\$643,737 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (402,987)
2020	(89,200)
2021	(7,969)
2022	(121,445)
2023	-

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

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.

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description: (Continued)

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: (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) 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.

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 \$25,440 and \$23,395 for the years ended June 30, 2018 and June 30, 2017, respectively.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

At June 30, 2018, the entity reported a liability of \$367,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .02439% as compared to .02365% at June 30, 2016.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,000	\$ 8,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	14,000
Change in assumptions	-	19,000
Employer contributions subsequent to the measurement date	25,440	-
Total	<u>\$ 36,440</u>	<u>\$ 41,000</u>

\$25,440 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	\$ (6,000)
2020	(6,000)
2021	(6,000)
2022	(6,000)
2023	(3,000)
Thereafter	(3,000)

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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.

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State 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 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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS 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 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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - 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:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - 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:

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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 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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the GLI Program			
Net OPEB Liability	\$ 474,000	\$ 367,000	\$ 279,000

Group Life Insurance Program Fiduciary Net Position

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

Political Subdivision Employee Virginia Local Disability Program (VLDP):

Plan Description

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

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Plan Description: (Continued)

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Contributions

The contribution requirements for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS Political Subdivision Employee VLDP were \$1,039 and \$1,010 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Authority reported a liability of \$1,000 for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2017 and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of that date. The Authority's proportion of the Net VLDP OPEB Liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Authority's proportion of the VLDP was .09163% as compared to .13997%.

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 1,039	-
Total	\$ 1,039	\$ -

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

\$1,039 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the fiscal year ending June 30, 2019. There were no other amounts reported as deferred outflows of resources or deferred inflows of resources.

Actuarial Assumptions

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (Continued)

**Mortality Rates - Largest Ten Locality Employers - General and Non-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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Actuarial Assumptions: (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 and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Net VLDP OPEB Liability

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

		Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$	914
Plan Fiduciary Net Position		351
Political Subdivision net VLDP OPEB Liability (Asset)	\$	563
Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability		38.40%

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

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

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

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

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

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

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

Line of Duty Act (LODA) Program:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Plan Description: (Continued)

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

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none">• <u>Death</u> - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:<ul style="list-style-type: none">○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.• <u>Health Insurance</u> - The Line of Duty Act program provides health insurance benefits.<ul style="list-style-type: none">○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program.○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$65,248 and \$61,843 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of \$1,507,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was .057341% as compared to .048923% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$158,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on LODA OPEB plan investments	\$ -	\$ 3,000
Change in assumptions	-	155,000
Change in proportion	208,000	-
Employer contributions subsequent to the measurement date	65,248	-
Total	<u>\$ 273,248</u>	<u>\$ 158,000</u>

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

\$65,248 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA 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 LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ 6,000
2020	6,000
2021	6,000
2022	6,000
2023	7,000
Thereafter	19,000

Actuarial Assumptions

The total LODA 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	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (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 Life Mortality Table 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%

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety 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 Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act 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 Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	<u>3,461</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

The total LODA 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 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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA 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 rate:

		Discount Rate		
		1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Authority's proportionate share of the total LODA Net OPEB Liability		\$ 1,709,000	\$ 1,507,000	\$ 1,338,000

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

Line of Duty Act (LODA) Program: (Continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

		Health Care Trend Rates		
		1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
Authority's proportionate share of the total LODA Net OPEB Liability	\$	1,278,000	\$ 1,507,000	\$ 1,790,000

LODA OPEB Fiduciary Net Position

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

NOTE 14 - COMMITMENTS:

In July 2015, the Department of Corrections approved the booking/intake expansion project for a 50/50 match. The project is estimated to cost \$4,200,000. At June 30, 2018, the following contractual amounts were outstanding on the project:

- Architecture - \$34,757
- Construction - \$2,358,897
- Other - \$5,795

PIEDMONT REGIONAL JAIL AUTHORITY

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

NOTE 15 - ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board (GASB) 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 Authority implemented GASB 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)). Lastly, the Authority early implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The implementation of these Statements resulted in the following restatement of net position:

Net Position July 1, 2017	\$ 4,223,506
Implementation of GASB 75	<u>(625,000)</u>
Net Position as restated July 1, 2017	<u><u>\$ 3,598,506</u></u>

NOTE 16 - SUBSEQUENT EVENTS:

Beginning September 1, 2018, the Authority received a \$3 per day increase in the rate for housing federal inmates.

- Required Supplementary Information -

PIEDMONT REGIONAL JAIL AUTHORITY

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 690,790	\$ 576,490	\$ 612,966	\$ 618,910
Interest	946,183	909,641	813,004	748,633
Changes in assumptions	(190,981)	-	-	-
Differences between expected and actual experience	(208,204)	(503,505)	414,810	-
Benefit payments, including refunds of employee contributions	(471,562)	(449,620)	(470,880)	(425,042)
Net change in total pension liability	\$ 766,226	\$ 533,006	\$ 1,369,900	\$ 942,501
Total pension liability - beginning	<u>13,752,684</u>	<u>13,219,678</u>	<u>11,849,778</u>	<u>10,907,277</u>
Total pension liability - ending (a)	<u><u>\$ 14,518,910</u></u>	<u><u>\$ 13,752,684</u></u>	<u><u>\$ 13,219,678</u></u>	<u><u>\$ 11,849,778</u></u>
 Plan fiduciary net position				
Contributions - employer	\$ 595,603	\$ 568,490	\$ 507,606	\$ 543,881
Contributions - employee	238,371	213,593	198,327	231,309
Net investment income	1,415,059	202,505	471,723	1,361,667
Benefit payments, including refunds of employee contributions	(471,562)	(449,620)	(470,880)	(425,042)
Administrative expense	(7,659)	(6,444)	(6,146)	(6,982)
Other	(1,283)	(83)	(100)	71
Net change in plan fiduciary net position	\$ 1,768,529	\$ 528,441	\$ 700,530	\$ 1,704,904
Plan fiduciary net position - beginning	<u>11,363,764</u>	<u>10,835,323</u>	<u>10,134,793</u>	<u>8,429,889</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 13,132,293</u></u>	<u><u>\$ 11,363,764</u></u>	<u><u>\$ 10,835,323</u></u>	<u><u>\$ 10,134,793</u></u>
 Authority's net pension liability - ending (a) - (b)	\$ 1,386,617	\$ 2,388,920	\$ 2,384,355	\$ 1,714,985
 Plan fiduciary net position as a percentage of the total pension liability	90.45%	82.63%	81.96%	85.53%
 Covered payroll	\$ 4,477,838	\$ 4,223,842	\$ 3,764,719	\$ 3,825,657
 Authority's net pension liability as a percentage of covered payroll	30.97%	56.56%	63.33%	44.83%

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.

PIEDMONT REGIONAL JAIL AUTHORITY

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

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	as a % of Covered Payroll (5)
2018	\$ 643,737	\$ 643,737	\$ -	\$ 4,818,551	13.36%
2017	598,717	598,717	-	4,477,838	13.37%
2016	570,219	570,219	-	4,223,842	13.50%
2015	508,194	508,194	-	3,764,719	13.50%
2014	544,008	544,008	-	3,825,657	14.22%
2013	571,503	571,503	-	4,019,010	14.22%
2012	589,482	589,482	-	4,054,208	14.54%
2011	603,615	603,615	-	4,151,408	14.54%
2010	325,132	325,132	-	3,338,114	9.74%
2009	161,112	161,112	-	3,686,782	4.37%

PIEDMONT REGIONAL JAIL AUTHORITY

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 is not material.

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

Largest 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%

PIEDMONT REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability - OPEB Plans
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)
Group Life Insurance Program					
2017	0.02439%	\$ 367,000	\$ 4,499,073	8.16%	48.86%
Virginia Local Disability Program (VLDP)					
2017	0.09163%	\$ 1,000	\$ 168,254	0.59%	38.40%
Line of Duty Act Program (LODA)					
2017	0.057341%	\$ 1,507,000	\$ 4,363,648	34.54%	1.30%

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.

PIEDMONT REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions - OPEB Plans
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)
Group Life Insurance Program					
2018	\$ 25,440	\$ 25,440	\$ -	\$ 4,854,956	0.52%
2017	23,395	23,395	-	4,499,073	0.52%
2016	20,397	20,397	-	4,249,472	0.48%
2015	18,138	18,138	-	3,778,655	0.48%
2014	18,398	18,398	-	3,832,952	0.48%
2013	19,347	19,347	-	4,030,608	0.48%
2012	11,508	11,508	-	4,110,159	0.28%
2011	11,671	11,671	-	4,168,176	0.28%
2010	6,588	6,588	-	2,439,934	0.27%
2009	9,960	9,960	-	3,688,834	0.27%

Virginia Local Disability Program (VLDP)

2018	\$ 1,039	\$ 1,039	\$ -	\$ 173,216	0.60%
2017	1,010	1,010	-	168,254	0.60%
2016	1,037	1,037	-	172,882	0.60%
2015	380	380	-	63,365	0.60%
2014	42	42	-	6,933	0.61%

Schedule is intended to show information for 10 years. The Authority did not participate in the program until the new hybrid retirement plan in 2014.

Line of Duty Act Program (LODA)

2018	\$ 65,248	\$ 65,248	\$ -	\$ 4,512,158	1.45%
2017	61,843	61,843	-	4,363,648	1.42%
2016	47,733	47,733	-	4,197,868	1.14%
2015	50,327	50,327	-	3,792,772	1.33%
2014	48,543	48,543	-	3,630,861	1.34%
2013	42,673	42,673	-	3,561,015	1.20%
2012	24,325	24,325	-	3,541,485	0.69%

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions. The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

PIEDMONT REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information - Group Life Insurance Program (GLI)
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%

PIEDMONT REGIONAL JAIL AUTHORITY

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

PIEDMONT REGIONAL JAIL AUTHORITY

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

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

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

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

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

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

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

PIEDMONT REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information - Line of Duty Act Program (LODA)
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%

SPORS Employees

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

VaLORS Employees

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

Employees in the Largest Ten Locality Employers with Public Safety 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%

Employees in the Non-Largest Ten Locality Employers with Public Safety 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%

- Other Supplementary Information -

PIEDMONT REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenses, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Operating revenues:				
Local revenue:				
Charges to governmental entities	\$ 7,598,437	\$ 7,598,437	\$ 7,979,384	\$ 380,947
Medical and pharmacy reimbursement	50,600	50,600	402,511	351,911
Work release fees/ week-enders	107,223	107,223	102,853	(4,370)
Home electronic monitoring	60,000	60,000	17,039	(42,961)
Telephone commission	330,174	330,174	400,906	70,732
Other income	36,350	36,350	73,704	37,354
Total local revenue	<u>\$ 8,182,784</u>	<u>\$ 8,182,784</u>	<u>\$ 8,976,397</u>	<u>\$ 793,613</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Compensation Board	\$ 3,323,612	\$ 3,323,612	\$ 3,003,556	\$ (320,056)
Total revenue from the Commonwealth	<u>\$ 3,323,612</u>	<u>\$ 3,323,612</u>	<u>\$ 3,003,556</u>	<u>\$ (320,056)</u>
Total operating revenues	<u>\$ 11,506,396</u>	<u>\$ 11,506,396</u>	<u>\$ 11,979,953</u>	<u>\$ 473,557</u>
Operating expenses:				
Salaries	\$ 5,128,407	\$ 5,128,407	\$ 5,221,417	\$ (93,010)
Employee fringe benefits	1,789,068	1,789,068	1,613,395	175,673
Advertising	5,000	5,000	9,345	(4,345)
Dues and memberships	2,400	2,400	3,006	(606)
Books and subscriptions	100	100	71	29
Uniforms	20,000	20,000	22,382	(2,382)
In-Service training	52,734	52,734	47,008	5,726
Food supplies	745,000	745,000	830,497	(85,497)
Food Juvenile Detention Center	45,000	45,000	36,356	8,644
Kitchen supplies	27,500	27,500	32,660	(5,160)
Janitorial and laundry supplies	40,000	40,000	23,429	16,571
Maintenance contracts	1,000	1,000	31,489	(30,489)
Maintenance - buildings and grounds	130,000	130,000	94,123	35,877
Medical service provider	1,522,629	1,522,629	1,434,574	88,055
Medical and pharmacy supplies	312,100	312,100	431,307	(119,207)
Postage	7,000	7,000	5,198	1,802
Office supplies	29,500	29,500	45,583	(16,083)
Office equipment	10,960	10,960	10,027	933
Physician and dentist, etc.	170,000	170,000	275,637	(105,637)
Printing and copying	3,000	3,000	329	2,671

PIEDMONT REGIONAL JAIL

Schedule of Revenues, Expenses, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget- Positive (Negative)
Operating expenses: (Continued)				
Professional services	\$ 135,700	\$ 135,700	\$ 167,493	\$ (31,793)
Freight/delivery	4,900	4,900	3,697	1,203
Telephone	59,800	59,800	59,788	12
Repairs and maintenance	46,000	46,000	61,872	(15,872)
Radio maintenance	2,500	2,500	1,663	837
Vehicle supplies	65,000	65,000	76,896	(11,896)
Security supplies	25,000	25,000	17,171	7,829
Extermination	1,700	1,700	1,615	85
Miscellaneous	22,001	22,001	13,315	8,686
Travel and lodging	19,370	19,370	15,279	4,091
Propane	65,000	65,000	68,758	(3,758)
Electricity/heating	135,000	135,000	165,522	(30,522)
Water/sewer	370,000	370,000	304,261	65,739
Insurance	227,696	227,696	108,691	119,005
Refuse collection	7,500	7,500	10,309	(2,809)
Home electronic monitoring expenses	35,000	35,000	19,722	15,278
Other inmate expenses	-	-	1,941	(1,941)
Capital outlays	156,000	156,000	20,644	135,356
Vehicle purchase	75,000	75,000	-	75,000
Contingencies	26,631	26,631	39,612	(12,981)
Intake expansion	-	-	11,501	(11,501)
Depreciation	-	-	372,178	(372,178)
Total operating expenses	\$ 11,521,196	\$ 11,521,196	\$ 11,709,761	\$ (188,565)
Net operating income (loss)	\$ (14,800)	\$ (14,800)	\$ 270,192	\$ 284,992
Nonoperating revenues (expenses):				
Interest income	\$ -	\$ -	\$ 48,112	\$ 48,112
Rental income	4,800	4,800	4,800	-
Grant income	10,000	10,000	10,000	-
Interest expense	-	-	(83,071)	(83,071)
Issuance costs	-	-	(114,185)	(114,185)
Gain (Loss) on disposal of capital assets	-	-	6,284	6,284
Net nonoperating revenues (expenses)	\$ 14,800	\$ 14,800	\$ (128,060)	\$ (142,860)
Capital contributions	\$ -	\$ -	\$ 26,467	\$ 26,467
Change in net position	\$ -	\$ -	\$ 168,599	\$ 168,599
Net position, beginning of year, as restated	-	-	1,252,359	1,252,359
Net position, end of year	\$ -	\$ -	\$ 1,420,958	\$ 1,420,958

Note: Interest income, depreciation expense, and debt service were not factored into the budget.

In addition, a budget amendment of \$5,697,664 was retroactively made for debt and the intake expansion project.

PIEDMONT REGIONAL JAIL AUTHORITY

AGENCY FUNDS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Inmate Account				
Assets:				
Cash	\$ 293,412	\$ 1,488,307	\$ 1,650,033	\$ 131,686
Liabilities:				
Payable to operating fund	\$ 1,524	\$ 1,177	\$ 1,524	\$ 1,177
Due to commissary fund	94,215	135,636	94,215	135,636
Amounts held for inmate benefits	197,673	1,351,494	1,554,294	(5,127)
Total liabilities	\$ 293,412	\$ 1,488,307	\$ 1,650,033	\$ 131,686
Commissary Account				
Assets:				
Cash	\$ 264,019	\$ 1,373,936	\$ 1,107,842	\$ 530,113
Accounts receivable	813	-	813	-
Due from inmate fund	94,215	135,636	94,215	135,636
Total assets	\$ 359,047	\$ 1,509,572	\$ 1,202,870	\$ 665,749
Liabilities:				
Accounts payable	\$ 45,925	\$ 73,409	\$ 45,925	\$ 73,409
Payable to operating fund	1,659	14,441	1,659	14,441
Amounts held for inmate benefits	311,463	1,421,722	1,155,286	577,899
Total liabilities	\$ 359,047	\$ 1,509,572	\$ 1,202,870	\$ 665,749
Employee Account				
Assets:				
Cash	\$ 6,257	\$ 14,191	\$ 13,273	\$ 7,175
Liabilities:				
Amounts held for employee benefits	\$ 6,257	\$ 14,191	\$ 13,273	\$ 7,175
Total liabilities	\$ 6,257	\$ 14,191	\$ 13,273	\$ 7,175
TOTALS:				
Assets:				
Cash	\$ 563,688	\$ 2,876,434	\$ 2,771,148	\$ 668,974
Accounts receivable	813	-	813	-
Due from inmate fund	94,215	135,636	94,215	135,636
Total assets	\$ 658,716	\$ 3,012,070	\$ 2,866,176	\$ 804,610
Liabilities:				
Accounts payable	\$ 45,925	\$ 73,409	\$ 45,925	\$ 73,409
Payable to operating fund	3,183	15,618	3,183	15,618
Due to commissary fund	94,215	135,636	94,215	135,636
Amounts held for inmate benefits	509,136	2,773,216	2,709,580	572,772
Amounts held for employee benefits	6,257	14,191	13,273	7,175
Total liabilities	\$ 658,716	\$ 3,012,070	\$ 2,866,176	\$ 804,610

PIEDMONT REGIONAL JAIL AUTHORITY

Summary of Changes in Miscellaneous Items
For the Year Ended June 30, 2018

	<u>Receipts</u>	<u>Disbursements</u>	<u>Excess of Revenues over (under) Expenditures</u>
Inmate Canteen Account	\$ 1,509,572	\$ 1,202,870	\$ 306,702
Jail Telephone Commissions	595,410	293,621	301,789
Home Electronic Monitoring	17,039	19,722	(2,683)
Work Release Fees	55,320	-	55,320
Weekenders	47,533	-	47,533
Inmate Medical Co-payment	<u>259</u>	<u>259</u>	<u>-</u>
	<u>\$ 2,225,133</u>	<u>\$ 1,516,472</u>	<u>\$ 708,661</u>

* Note: This includes activity in the operating account and the commissary account.

- 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 MEMBERS OF THE PIEDMONT REGIONAL JAIL AUTHORITY
FARMVILLE, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate remaining fund information of Piedmont Regional Jail Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Piedmont Regional Jail Authority's basic financial statements and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies (2018-001) described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

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

Authority's Response to Findings

Piedmont Regional Jail Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Piedmont Regional Jail Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Farrer, Cox Associates
Charlottesville, Virginia
November 29, 2018

PIEDMONT REGIONAL JAIL AUTHORITY

Schedule of Findings and Responses
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies)?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2018-001

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by entity's internal controls indicates that a material weakness may exist.
Condition:	The Authority's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). In addition, the depreciation schedule required several adjustments to reflect capital asset additions and disposals that occurred during the year.
Context:	Audit adjustments have been historically made from client prepared schedules. Several additions and disposals were identified by management prior to fieldwork, but audit procedures disclosed other additions and disposals. New OPEB accounting standards effective this year had a significant impact on beginning balances. Debt balances were also reflected with audit adjustments.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Cause:	Management failed to identify all year end accounting adjustments necessary for the books to be prepared in accordance with current reporting standards. The Authority does not have proper controls in place (or technical expertise) to detect and correct adjustments in closing their year end financial statements.
Recommendation:	Management should continue to periodically update the depreciation schedule and compare it to the existing inventory listing. Management should also consider training for the administrative staff to ensure the necessary schedules are prepared and adjustments are made prior to audit fieldwork.
Management's Response:	The appropriate personnel will review the depreciation schedule in detail and reconcile the activity to inventory reports prior to audit fieldwork. Management will research options to address this issue considering costs and benefits of implementing the recommendation.

Section III - Status of Prior Year Findings

2017-001	No corrective action taken. This finding is repeated as 2018-001.
2017-002	Management, under the direction of the board, implemented corrective action to address this finding.