

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

ALBERTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



YEAR ENDED
JUNE 30, 2019

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

ALBERTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**YEAR ENDED
JUNE 30, 2019**

CRYSTAL WILLETT
SUPERINTENDENT

BRENT WRIGHT
DEPUTY SUPERINTENDENT

JENNIFER DERRENBACHER, CPA
FINANCE DIRECTOR

MEHERRIN RIVER REGIONAL JAIL AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

Table of Contents

| | <u>Page</u> |
|--|-------------|
| <u>INTRODUCTORY SECTION</u> | |
| Table of Contents | i-ii |
| Letter of Transmittal | iii-vi |
| Board of Directors and Legal Counsel | vii |
| Certificate of Achievement for Excellence in Financial Reporting for June 30, 2018 | viii |
| Organizational Chart | ix-x |
| <u>FINANCIAL SECTION</u> | |
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3-8 |
| Basic Financial Statements: | |
| Statement of Net Position | 9 |
| Statement of Revenues, Expenses and Changes in Net Position | 10 |
| Statement of Cash Flows | 11-12 |
| Notes to Financial Statements | 13-63 |
| Required Supplementary Information: | |
| Schedule of Changes in Net Pension Asset and Related Ratios – VRS Pension Plan | 64 |
| Schedule of Employer Contributions – VRS Pension Plan | 65 |
| Notes to Required Supplementary Information – VRS Pension Plan | 66 |
| Schedule of Changes in the Authority's Net OPEB Asset and Related Ratios – VRS HIC Plan | 67 |
| Schedule of Authority's Share of Net OPEB Liability – VRS GLI Plan | 68 |
| Schedule of Employer Contributions – VRS OPEB Plans | 69 |
| Notes to Required Supplementary Information – VRS OPEB Plans | 70-71 |
| Schedule of Changes in Total OPEB Liability and Related Ratios – Retiree Medical Plan | 72 |
| Schedule of Employer Contributions – Retiree Medical Plan | 73 |
| Notes to Required Supplementary Information – Retiree Medical Plan | 74 |
| <u>STATISTICAL SECTION</u> | |
| Narrative on Statistical Section | 75 |
| Net Position by Component (<i>Table 1</i>) | 76 |
| Changes in Net Position (<i>Table 2</i>) | 77 |
| Operating Expenses (<i>Table 3</i>) | 78 |
| Other Revenues and Expenses (<i>Table 4</i>) | 79 |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

Table of Contents (Continued)

STATISTICAL SECTION (CONTINUED)

| | Page |
|---|------|
| Operating Revenues and Expenses <i>(Table 5)</i> | 80 |
| Operating Revenues by Source <i>(Table 6)</i> | 81 |
| Revenues & Billed Inmate Days – By Customer <i>(Table 7)</i> | 82 |
| Largest Revenue Source <i>(Table 8)</i> | 83 |
| Outstanding Debt by Type and Ratios to Personal Income and Population <i>(Table 9)</i> | 84 |
| Revenue Bond Coverage <i>(Table 10)</i> | 85 |
| Inmate Booking Statistics <i>(Table 11)</i> | 86 |
| Principal Employers <i>(Table 12)</i> | 87 |
| Demographic Statistics for Member Jurisdictions <i>(Table 13)</i> | 88 |
| Number of Employees and Capital Asset Statistics by Identifiable Activity <i>(Table 14)</i> | 89 |
| Schedule of Insurance in Force <i>(Table 15)</i> | 90 |

COMPLIANCE SECTION

| | |
|---|-------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 91-92 |
|---|-------|



MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Serving the following
Localities:
Brunswick County
Dinwiddie County
Mecklenburg
County

Crystal L. Willett
Superintendent

9000 Boydton Plank
Road
Alberta, VA 23821
(434) 949-6700
(434) 949-0180 Fax

November 4, 2019

The Honorable Members of the
Meherrin River Regional Jail Authority Board
Alberta, VA 23821

Dear Authority Board Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Meherrin River Regional Jail Authority (Jail Authority) for the fiscal year ended June 30, 2019. The report was prepared by the Superintendent and the Finance Director, who assume full responsibility for the accuracy, completeness, and fairness of information. We believe the financial information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of the Jail Authority's Enterprise Funds. This letter should be read in conjunction with the *Management's Discussion and Analysis*, which can be found in the Financial Section of the report.

PROFILE OF THE ORGANIZATION

The Jail Authority, a political subdivision of the Commonwealth of Virginia, was authorized by Chapter 726 of the 1990 Acts of the General Assembly of Virginia. The participating jurisdictions of the Authority are the Counties of Brunswick, Dinwiddie and Mecklenburg. The Authority is governed by a nine-member board comprised of three members from each locality.

The general purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions. The main facility has 697-beds, consisting of 596 general-purpose beds, a 32-bed work release center, a 6-bed medical housing unit, a 12-bed center for inmate intake, a 12-bed center for transport inmates, a 5-bed center for inmate classification, and 34 special management cells. The satellite facility has 115-beds, consisting of 76 general-purpose beds, a 24-bed work release center, a 4-bed medical housing unit, a 7-bed center for inmate intake, and 4 special management cells.

The legislation that created the Jail Authority requires there be a service agreement between the Jail Authority and its participating jurisdictions. The service agreement is a long-term contract regulating usage of the Jail Authority and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides a basis for the issuance of revenue bonds to fund the final design and construction of the Jail. The board members of the Jail Authority signed the Service Agreement on April 3, 2008. The service agreement was amended on July 1, 2010.

ECONOMIC CONDITIONS

Serving the member jurisdictions as Meherrin River Regional Jail Authority does, the overall inmate population is indirectly related to the populations of these localities: Brunswick County, Dinwiddie County and Mecklenburg County. This, in turn, serves as an indicator for the number of persons likely to be incarcerated from those jurisdictions.

Brunswick County's population growth rate is projected to decrease by -1.39% with a total population of 17,191 estimated for 2020. This percentage is skewed due to a prison closing during the study period and is not reflective of the actual population. Brunswick County is in fact expected to have an increase in population due to increased development in the county. Dinwiddie County's population growth rate is expected to be approximately 5.50%, with a total population of 29,542 estimated for 2020. Mecklenburg County's population growth rate is expected to be approximately 0.46%, with a total population of 32,877 estimated for 2020.

The inmate population for the past year was 417. The inmate population is budgeted to be 400 in fiscal year 2020.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Over the past year, many accomplishments were realized within Meherrin River Regional Jail Authority. The Jail received the "Certificate of Achievement for Excellence in Financial Reporting" for the sixth year. The Jail received the "Distinguished Budget Presentation Award" for the fourth time for its fiscal year 2019 budget document.

We continue to provide a safe, secure and sanitary facility for staff and offenders while maintaining cost savings measures in our operation. Work Force crews were utilized throughout the year to pick up litter within our three jurisdictions, help maintain the grounds of both sites as well as the gun range and to assist on special projects upon request.

During fiscal year 2019, we established a tracking system for all DOC ordered evaluations such as competency restorations, psychological evaluations, transfers and other miscellaneous court orders. Working in collaboration with various divisions throughout the Jail and outside agencies, such as the courts and DOC, Records maintains a tracking sheet of known orders and provides updates of deadlines and transfer dates. This notifies divisions such as Medical of any offenders that may not have received an outside evaluation based on a court order and allows them to follow up in advance of the deadline date.

Over this past fiscal year, in collaboration with our health services vendor, Mediko, we established a committee to meet quarterly to address concerns in regards to our Central State Offenders. By doing this we have strengthened our relationship and become more familiar with each other's operations. In addition, we worked with our commissary vendor, Keefe, to put vending machines in all units with an updated interface and software that not only enhances the vending machine capabilities but the entire commissary system.

Moving forward, the Jail plans to establish many new automated features such as a means to automate & document rounds electronically, and install kiosks to reduce costs as well as provide immediate accessibility for offenders for items such as inmate request forms. We also hope to achieve our National Commission on Correctional Health Care (NCCHC) accreditation. By achieving this accreditation it is another way for the Jail to show we are committed to providing nationally accepted standards of care in the health services industry. Compliance with these standards has proven to be an effective tool in achieving and maintaining peak organizational performance.

MAJOR ACCOMPLISHMENTS AND INITIATIVES: (CONTINUED)

The staff of Meherrin River Regional Jail Authority works hard each year to give back to the communities. Over the course of the past year the charitable and community-based outreach activities have helped make the facility shine amongst the citizens of our user jurisdictions. In addition to participating in such events as Mecklenburg County Sheriff's Office Cops and Kids program and donating items to families in need during the holidays, we participated in our first annual Thanksgiving Food Drive. Staff contributed large quantities of non-perishable food for our three member localities.

FINANCIAL INFORMATION AND CONTROLS

The Jail Authority is required to undergo an annual 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 *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The Jail Authority's management is responsible for establishing and maintaining internal controls sufficient to ensure safeguarding of jail assets. In developing and evaluating the Jail's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits likely to be derived, and therefore, management must continuously evaluate the benefits of various controls given the related costs of implementation.

All internal control evaluations occur within the above framework. We believe that the Jail Authority's internal controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

In addition to the internal controls described above, budgetary controls are also established to ensure compliance with annual operating budgets approved by the Jail Board. Monthly reports containing comparisons between actual and budget and current and prior year amounts are prepared and presented to jail management and the Board.

The Jail Authority usually initiates its annual operating budget preparations in August of each fiscal year (July 1 through June 30). The Finance Director, with input from other departments, prepares a draft budget for the Finance Committee to review. After the Finance Committee's review and approval, a final budget is submitted to the Jail Authority on or before January 1st of each year. According to the service agreement, the budget must be adopted by the Board no later than June 30th of each year.

RELEVANT FINANCIAL POLICIES

The Capital Reserve Fund will increase to \$1,367,782 for the year ended June 30, 2019 after the required year-end transfer. A formal Capital Reserve Fund policy was established in FY19 to meet the future capital needs of the Jail such as vehicles, significant building improvements, etc. thus preventing an increase in the Jail Authority's operating budget. The adopted policy requires, annually at the conclusion of the annual audit, funds equal to 15% of the increase in net position to be transferred to the Capital Reserve Fund for the purpose of providing cash reserves for the procurement of future capital requirements.

RELEVANT FINANCIAL POLICIES: (CONTINUED)

The Rate Stabilization Fund totaling \$107,074 remains unchanged for the year ended June 30, 2019. The Rate Stabilization Fund was created to prevent large increases in the per diem rate during years when there are significant budget shortfalls.

The Operating Reserve Fund was increased to \$2,460,165 as required by the Jail Authority's service agreement. The service agreement requires that an Operating Reserve Fund be equal to not less than 60 days of the Jail Authority's projected annual budget for each year less debt service or such other amount as is required by the provisions of such obligations.

In fiscal year 2018, the Authority Board determined that it would be prudent and beneficial to the financial management of the Authority and its Member Jurisdictions to establish an additional reserve fund in excess of the legally required reserves. This Supplemental Reserve Fund is held by the Authority and the Supplemental Reserve Fund Requirement is equal to 17% of the Authority's projected operating budget for each year, less debt service. The balance in the Supplemental Reserve Fund for the year ended June 30, 2019 is \$2,509,368.

INDEPENDENT AUDIT

The certified public accounting firm of Robinson, Farmer, Cox Associates has audited the June 30, 2019 financial statements. Their opinion on the financial statements is presented in the financial section of this report.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated efforts of the employees of the Meherrin River Regional Jail Authority.

Further appreciation is extended to each member of the Jail Authority for their continued interest, dedication, and support.

Respectfully submitted,



Crystal Willett
Superintendent



Jennifer Derrenbacher, CPA
Finance Director

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Year Ended June 30, 2019

Officers

| | |
|---------------|--|
| Chairman | Sheriff Brian K. Roberts Brunswick County Sheriff |
| Vice-Chairman | W. Kevin Massengill Dinwiddie County Administrator |
| Secretary | H. Wayne Carter, III Mecklenburg County Administrator |

Other Members

Dr. Charlette T. Woolridge, Brunswick County Administrator
Bernard L. Jones, Brunswick County Board of Supervisors
Sheriff “Duck” Adams, Dinwiddie County Sheriff
William D. Chavis, Dinwiddie County Board of Supervisors
Sheriff R. W. “Bobby” Hawkins, Mecklenburg County Sheriff
Evans D. Tanner, Mecklenburg County Board of Supervisors

Counsel

William H. Hefty, Esq.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Meherrin River Regional Jail
Virginia**

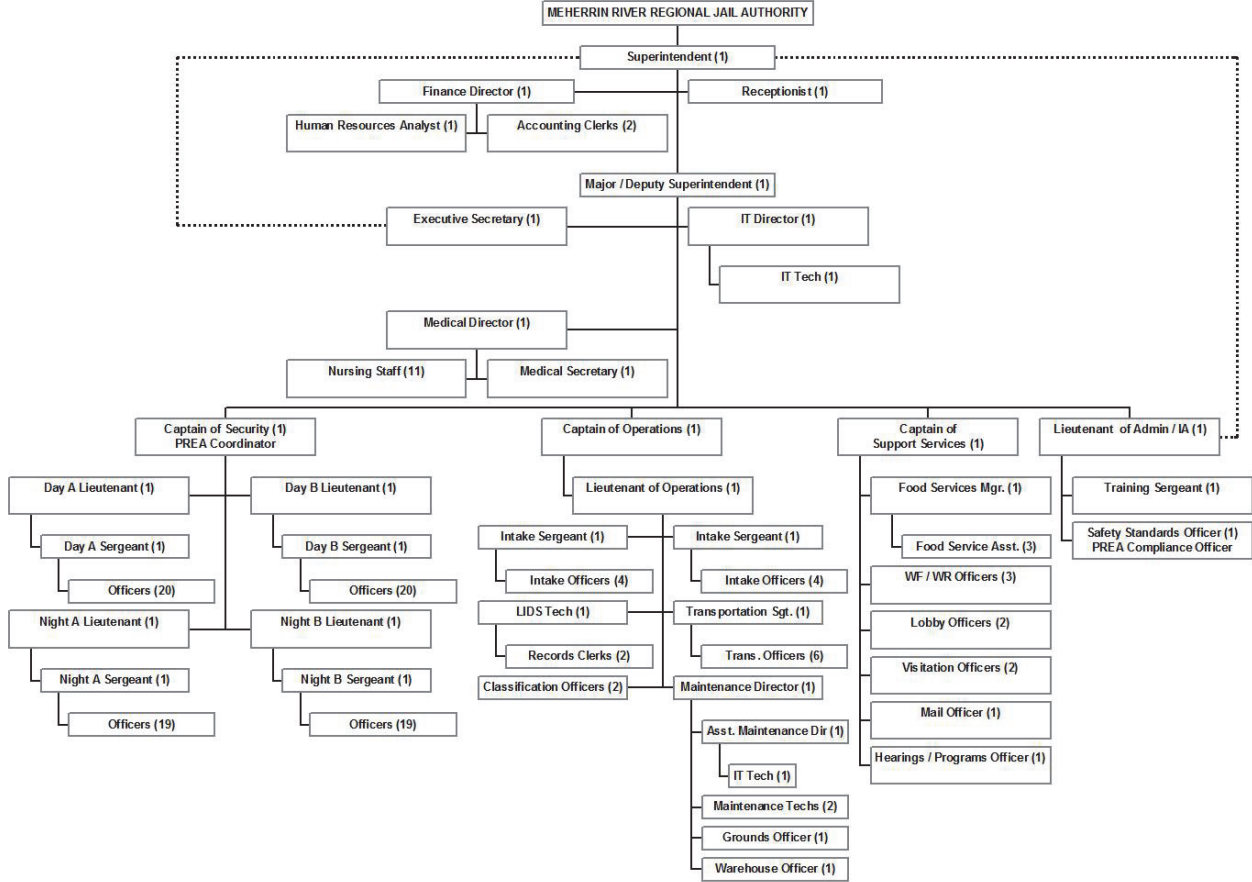
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

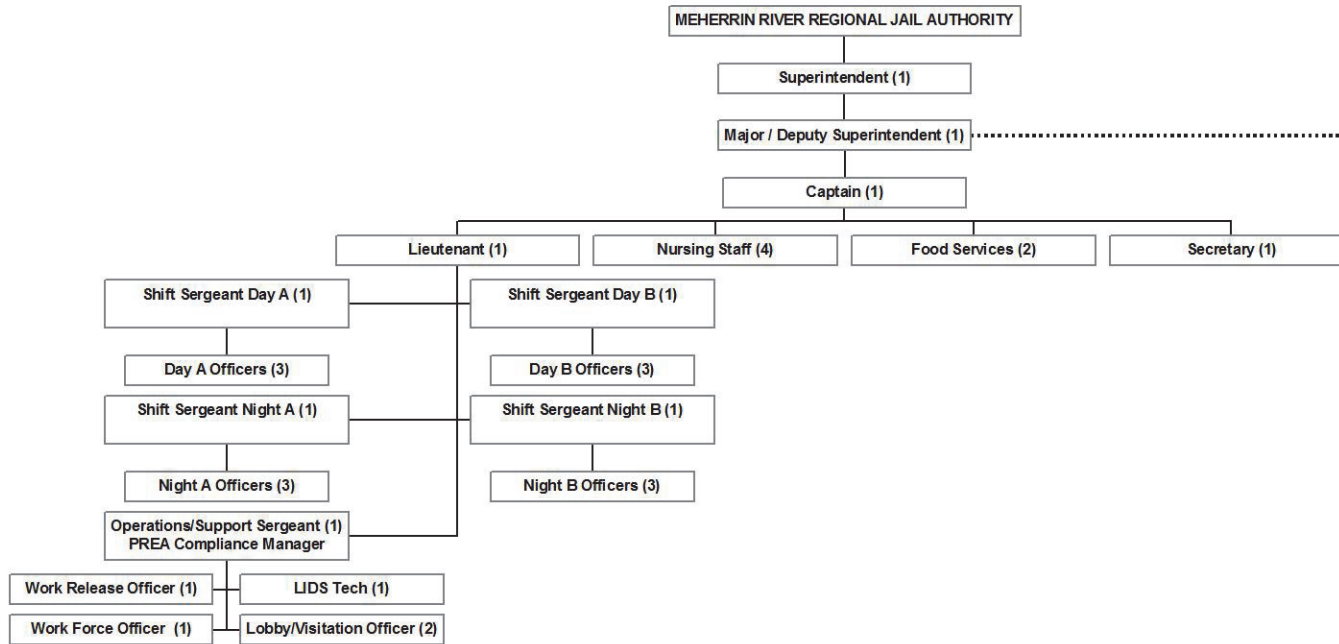
Executive Director/CEO

Meherrin River Regional Jail – Alberta Organizational Structure



Meherrin River Regional Jail - Mecklenburg

Organizational Structure





Independent Auditors' Report

**To the Members of
Meherrin River Regional Jail Authority
Alberta, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Meherrin River Regional Jail Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Meherrin River Regional Jail Authority, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 14 to the financial statements, in 2019, the Authority adopted new accounting guidance, 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* and early implemented GASB No. 87, *Leases*. 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 on pages 3-8 and schedules related to pension and OPEB funding on pages 64-74 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Meherrin River Regional Jail Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of Meherrin River 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 Meherrin River 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 Meherrin River Regional Jail Authority's internal control over financial reporting and compliance.

Robinson Farrow Cox Associates
Charlottesville, Virginia
November 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements of Meherrin River Regional Jail Authority include all business activities and include notes to the financial statements that explain and provide detailed data on information in the financial statements.

The following is management's discussion and analysis of the Jail Authority's financial performance for the year ended June 30, 2019. It should be read in conjunction with the letter of transmittal in the Introductory Section, the Jail Authority's financial statements and supplemental information included in the Financial Section and financial performance in the Statistical Section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2019:

- The Jail Authority's net position increased \$1,762,870 in FY 2019.
- Total revenues, including capital contributions, of the Jail for FY 2019 were \$17,249,754.
- Total expenses of the Jail for FY 2019 were \$15,486,884.

Fiscal Year 2018:

- The Jail Authority's net position increased \$1,689,575 (excluding restatement of net position) in FY 2018.
- Total revenues, including capital contributions, of the Jail for FY 2018 were \$17,114,696.
- Total expenses of the Jail for FY 2018 were \$15,425,121.

The Jail Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority. See notes to financial statements for a summary of significant accounting policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Jail's basic financial statements. The Jail Authority's basic financial statements consist of the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The first two statements report the Jail Authority's net position and how it has changed. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Jail Authority's financial condition.

The following table summarizes the net position of the Jail at June 30, 2019 and 2018:

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

**Statements of Net Position
At June 30, 2019 and 2018**

| NET POSITION | 2019 | 2018 |
|----------------------------------|---------------|---------------|
| Current and other assets | \$ 18,428,291 | \$ 16,515,558 |
| Capital assets, net | 58,012,449 | 59,151,773 |
| Total assets | \$ 76,440,740 | \$ 75,667,331 |
| Deferred outflows of resources | \$ 3,299,155 | \$ 3,369,293 |
| Long-term liabilities, net | \$ 40,189,343 | \$ 41,085,042 |
| Other liabilities | 3,504,709 | 3,752,687 |
| Total liabilities | \$ 43,694,052 | \$ 44,837,729 |
| Deferred inflows of resources | \$ 860,834 | \$ 776,756 |
| Net position: | | |
| Net investment in capital assets | \$ 25,108,566 | \$ 26,177,891 |
| Restricted for debt service | 93,083 | - |
| Unrestricted | 9,983,360 | 7,244,248 |
| Total net position | \$ 35,185,009 | \$ 33,422,139 |

Overall net position increased 5.27% in 2019, with unrestricted net position increasing 37.81% for 2019.

Overall net position increased 3.18% in 2018, with unrestricted net position increasing 23.76% for 2018.

The increase in unrestricted net position in FY 2019 is primarily attributable to vacancy savings from Compensation Board funded positions.

The increase in unrestricted net position in FY 2018 is primarily attributable to vacancy savings from Compensation Board funded positions. This increase was offset by a \$661,069 restatement of net position related to implementation of GASB 75. This implementation also resulted in the reporting of deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (OPEB).

REVENUES

Operating and nonoperating revenues and capital contributions for the Jail Authority totaled \$17,249,754 for the year ended June 30, 2019, which equates to a \$135,058 increase from fiscal year 2018. This amount is primarily attributable to an increase in federal bed rentals due to hurricane evacuation in NC and additional inmate meal programs as a result of bringing kitchen operations in-house. Of this total, per-diem billings to member jurisdictions totaled \$5,851,662 or 40.19 percent of total operating revenues. Per-diem billings to non-member jurisdictions totaled \$924,630 and accounted for 6.35 percent of total operating revenues. The revenues received from the state totaled \$7,033,267 or 48.31 percent of total operating revenues. Inmate and other revenues totaled \$749,929 or 5.15 percent of total operating revenues.

A summary of revenues for the years ended June 30, 2019 and 2018 is presented in the following computation:

| <u>REVENUE SOURCE</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Operating Revenue: | | |
| Member Jurisdictions | | |
| Brunswick County | \$ 1,966,328 | \$ 2,168,894 |
| Dinwiddie County | 1,357,364 | 1,496,184 |
| Mecklenburg County | 2,527,970 | 2,635,365 |
| Subtotal | <u>\$ 5,851,662</u> | <u>\$ 6,300,443</u> |
| State Share of Jail Operations | | |
| Compensation Board | \$ 7,033,267 | \$ 7,339,444 |
| Subtotal | <u>\$ 7,033,267</u> | <u>\$ 7,339,444</u> |
| Charges for Services | | |
| Work Release | \$ 56,700 | \$ 50,479 |
| Weekender Fees | 19,225 | 12,151 |
| Home Incarceration | 8,860 | 6,463 |
| Medical Co-Pays | 13,399 | 10,866 |
| Medical Reimbursement | 13,531 | 47,875 |
| Daily Fees | 94,955 | 111,688 |
| Inmate Phones | 270,000 | 270,000 |
| Internet Visitation | 12,410 | 9,144 |
| Bed Rentals | 924,630 | 283,536 |
| Dining Operations | 180,789 | 51,994 |
| Miscellaneous Revenue | 80,060 | 67,184 |
| Subtotal | <u>\$ 1,674,559</u> | <u>\$ 921,380</u> |
| Total Operating Revenue | <u>\$ 14,559,488</u> | <u>\$ 14,561,267</u> |
| Nonoperating Revenue: | | |
| Local Share of Debt Service | \$ 2,549,715 | \$ 2,550,339 |
| Grant Income | 6,252 | - |
| Interest and investment earnings (losses) | 134,299 | 3,090 |
| Total Nonoperating Revenue | <u>\$ 2,690,266</u> | <u>\$ 2,553,429</u> |
| Total Revenue | <u>\$ 17,249,754</u> | <u>\$ 17,114,696</u> |

EXPENSES

Operating expenses totaled \$14,029,572 for the year ended June 30, 2019. Of this amount, salaries and employee benefits totaled \$8,237,918, medical services and supplies totaled \$2,121,072, and food service and supplies totaled \$490,794. Medical services decreased as a result of changing to a new medical services provider. Food services decreased as a result of bringing kitchen operations in-house instead of being operated by a third party vendor as in previous years.

Operating expenses totaled \$13,942,602 for the year ended June 30, 2018. Of this amount, salaries and employee benefits totaled \$7,578,677, medical services and supplies totaled \$2,555,264, and food service and supplies totaled \$737,368.

Summary data for the years ended June 30, 2019 and 2018 are presented in the following computation:

EXPENSE CLASSIFICATION

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|----------------------|----------------------|
| Operating Expenses: | | |
| Salaries and Wages | \$ 5,938,277 | \$ 5,286,912 |
| Fringe Benefits | 2,299,641 | 2,291,765 |
| Professional Services | 69,018 | 80,453 |
| Medical Services and Supplies | 2,121,072 | 2,555,264 |
| Materials and Supplies | 950,753 | 875,873 |
| Food Services and Supplies | 490,794 | 737,368 |
| Utilities | 653,509 | 661,520 |
| Depreciation | <u>1,506,508</u> | <u>1,453,447</u> |
| Total Operating Expenses | \$ <u>14,029,572</u> | \$ <u>13,942,602</u> |
| Nonoperating Expenses: | | |
| Interest Expense | \$ <u>1,457,312</u> | \$ <u>1,482,519</u> |
| Total Nonoperating Expense | \$ <u>1,457,312</u> | \$ <u>1,482,519</u> |
| Total Expense | <u>\$ 15,486,884</u> | <u>\$ 15,425,121</u> |

SUMMARY OF OPERATIONS & CHANGE IN NET POSITION

Net Position increased by \$1,762,870 for the year ended June 30, 2019. This amount includes \$1,232,954 in nonoperating revenues and expenses.

Summary data is presented in the following computation:

SUMMARY OF OPERATIONS & CHANGE IN NET POSITION

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------------|-----------------------------|
| Operating: | | |
| Revenues | \$ 14,559,488 | \$ 14,561,267 |
| Expenses | <u>14,029,572</u> | <u>13,942,602</u> |
| Net operating income (loss) | <u>\$ 529,916</u> | <u>\$ 618,665</u> |
| Nonoperating: | | |
| Revenues | \$ 2,690,266 | \$ 2,553,429 |
| Expenses | <u>1,457,312</u> | <u>1,482,519</u> |
| Net nonoperating income (loss) | <u>\$ 1,232,954</u> | <u>\$ 1,070,910</u> |
| Increase (decrease) in net position | <u>\$ 1,762,870</u> | <u>\$ 1,689,575</u> |
| Net position, beginning of year | <u>\$ 33,422,139</u> | <u>\$ 32,393,633</u> |
| Restatement | <u>-</u> | <u>(661,069)</u> |
| Net position, beginning of year, as restated | <u>\$ 33,422,139</u> | <u>\$ 31,732,564</u> |
| Net position, end of year | <u><u>\$ 35,185,009</u></u> | <u><u>\$ 33,422,139</u></u> |

FINANCIAL ANALYSIS OF JAIL FUNDS

The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority.

Jail operations ended fiscal year 2019 with a \$1,762,870 increase in total net position. Jail operations ended fiscal year 2018 with a \$1,028,506 increase in total net position, including the beginning balance restatement of \$661,069.

The Operating Reserve Fund totals \$2,460,165, which equates to 60 days of the Jail Authority's annual budget less debt service as required by the Jail Authority's service agreement. The Rate Stabilization Fund totals \$107,074 at the end of FY 2019. The Capital Reserve Fund totaling \$1,367,782 represents proceeds from VRA Bonds remaining after construction along with interest and an annual transfer as required by the Capital Reserve Fund policy. The Supplemental Reserve Fund totals \$2,509,368, which equates to 17% of the Jail Authority's annual budget less debt service.

The Jail Authority's cash position remains strong with \$12,405,248 in unrestricted funds.

DEBT ADMINISTRATION

The Jail Authority had total long-term bonds outstanding of \$39,913,525 on June 30, 2019. This amount is comprised of a Series 2010 VRA bond, which was issued to fund the acquisition, construction and equipping of the Jail and a Series 2016 VRA bond which is the result of an advance refunding of the Series 2010 VRA bond. In addition, the Jail Authority entered into two new leases in fiscal year 2019, with outstanding balances of \$212,258 at year-end. For more detailed information on long-term debt activity refer to Note 6 of the notes to these financial statements.

CAPITAL ASSETS

Capital assets with a unit cost of \$5,000 or more are capitalized and depreciated over their useful lives using the straight-line method. As of June 30, 2019, capital assets, accumulated depreciation and depreciation expense totaled \$68,962,252, \$10,949,803 and \$1,506,508, respectively. For more detailed information on capital assets activity refer to Note 5 of the notes to these financial statements.

JAIL AUTHORITY'S PER DIEM RATES

The debt service component and the operating component of the per diem charge is invoiced quarterly by the Jail Authority in advance of service and is payable no later than the last day of the first month of each calendar quarter. The Member Jurisdictions agree to pay their ratable share of the per diem charge as budgeted by the Jail Authority in accordance with the percentages established annually, notwithstanding the actual number of inmates committed or expected to be committed to the system, subject to a fiscal year-end adjustment to reflect annual use of the system. The operational per diem rates were \$39.10, \$43.47, \$37.50, \$36.80, \$30.89, \$29.95, and \$34.61 for 2019, 2018, 2017, 2016, 2015, 2014, and 2013 respectively. The debt service per diem rates were \$17.04, \$18.63, \$17.98, \$18.41, \$16.56, \$9.73, and \$0 for 2019, 2018, 2017, 2016, 2015, 2014 and 2013 respectively. There was not a debt service component of the per diem charge in fiscal year 2013 because all interest was capitalized.

REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Jail Authority's finances. Should you have any questions about this report or need additional information, please contact the Finance Director, 9000 Boydton Plank Road, Alberta, VA 23821.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

**Statement of Net Position
June 30, 2019**

ASSETS

| | |
|---|----------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 12,937,579 |
| Held in escrow with trustee | 46,108 |
| Accounts receivable | 273,807 |
| Prepaid expense | 149,536 |
| Due from state | 503,632 |
| Cash held for employees - restricted | 714 |
| Cash held for inmates - restricted | <u>374,125</u> |
| Total current assets | <u>\$ 14,285,501</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | \$ 53,239 |
| Restricted investments | 2,571,875 |
| Net pension asset | 1,492,994 |
| Net OPEB asset | 24,682 |
| Capital assets: | |
| Land | 1,061,626 |
| Other capital assets, net of accumulated depreciation | <u>56,950,823</u> |
| Net capital assets | <u>\$ 58,012,449</u> |
| Total noncurrent assets | <u>62,155,239</u> |
| Total assets | <u>\$ 76,440,740</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|---------------------|
| Deferred outflows of resources related to pension | \$ 685,197 |
| Deferred outflows of resources related to OPEB | 57,887 |
| Deferred charge on refunding | <u>2,556,071</u> |
| Total deferred outflows of resources | <u>\$ 3,299,155</u> |

LIABILITIES

| | |
|--|----------------------|
| Current liabilities: | |
| Accounts payable | \$ 133,615 |
| Claims payable | 126,695 |
| Due to localities | 906,224 |
| Due to members | 454,015 |
| Accrued payroll | 12,305 |
| Compensated absences | 60,974 |
| Current portion of long-term debt | 1,043,301 |
| Interest payable | 392,741 |
| Cash held for employees | 714 |
| Cash held for inmates | <u>374,125</u> |
| Total current liabilities | <u>\$ 3,504,709</u> |
| Noncurrent liabilities: | |
| Bonds and leases payable, net of current portion | \$ 39,082,482 |
| Compensated absences, net of current portion | 548,761 |
| Net OPEB liabilities | <u>558,100</u> |
| Total noncurrent liabilities | <u>\$ 40,189,343</u> |
| Total liabilities | <u>\$ 43,694,052</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--|-------------------|
| Deferred inflows of resources related to pension | \$ 771,912 |
| Deferred inflows of resources related to OPEB | <u>88,922</u> |
| Total deferred inflows of resources | <u>\$ 860,834</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | \$ 25,108,566 |
| Restricted for debt service | 93,083 |
| Unrestricted | <u>9,983,360</u> |
| Total net position | <u>\$ 35,185,009</u> |

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019

| | |
|---|-----------------------------|
| Operating revenues: | |
| Charges for services | \$ 1,594,499 |
| Local share of jail operations | 5,851,662 |
| State share of jail operations | 7,033,267 |
| Miscellaneous | <u>80,060</u> |
| Total operating revenues | <u>\$ 14,559,488</u> |
| Operating expenses: | |
| Personnel | \$ 5,938,277 |
| Fringes | 2,299,641 |
| Contractual | 2,190,091 |
| Other charges | 2,095,055 |
| Depreciation | <u>1,506,508</u> |
| Total operating expenses | <u>\$ 14,029,572</u> |
| Net operating income (loss) | <u>\$ 529,916</u> |
| Nonoperating revenues (expenses): | |
| Local share of debt service | \$ 2,549,715 |
| Interest and investment earnings (losses) | 134,299 |
| Grant income | 6,252 |
| Interest expense | <u>(1,457,312)</u> |
| Net nonoperating revenues (expenses) | <u>\$ 1,232,954</u> |
| Change in net position | \$ 1,762,870 |
| Net position, beginning of year | <u>33,422,139</u> |
| Net position, end of year | <u><u>\$ 35,185,009</u></u> |

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

**Statement of Cash Flows
Year Ended June 30, 2019**

| | |
|--|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Charges for services | \$ 1,646,748 |
| Revenue from localities | 5,989,387 |
| Revenue from state | 7,146,287 |
| Payments to suppliers | (4,348,726) |
| Payments to employees | <u>(8,759,440)</u> |
| Net cash provided by (used for) operating activities | \$ <u>1,674,256</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Government grants | \$ <u>6,252</u> |
| Net cash provided by (used for) noncapital financing activities | \$ <u>6,252</u> |
| CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES | |
| Local share of debt service | \$ 2,549,715 |
| Release of funds by escrow agent | 836,009 |
| Principal paid on capital debt | (965,000) |
| Principal paid on leases | (52,588) |
| Interest paid on capital debt and leases | (1,586,071) |
| Purchase of capital assets | <u>(102,339)</u> |
| Net cash provided by (used for) capital & related financing activities | \$ <u>679,726</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and investment earnings | \$ <u>126,234</u> |
| Net cash provided by (used for) investing activities | \$ <u>126,234</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 2,486,468 |
| Cash and cash equivalents at beginning of year | <u>10,504,350</u> |
| Cash and cash equivalents at end of year | \$ <u><u>12,990,818</u></u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Statement of Cash Flow Year Ended June 30, 2019 (Continued)

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | | |
|--|----|------------------|
| Operating Income (Loss) | \$ | 529,916 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities | | |
| Depreciation | | 1,506,508 |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | | (85,902) |
| Prepaid expense | | (16,967) |
| Due from localities | | 137,725 |
| Due from state | | 113,021 |
| Net pension asset | | (376,928) |
| Net OPEB asset | | (8,148) |
| Deferred outflows - pension related | | (106,133) |
| Deferred outflows - OPEB related | | (23,124) |
| Increase (decrease) in: | | |
| Accounts payable | | (48,958) |
| Claims payable | | 25,425 |
| Due to localities/members | | - |
| Compensated absences | | 41,827 |
| Accrued payroll | | 4,216 |
| Net OPEB liabilities | | (102,300) |
| Deferred inflows - pension related | | 80,804 |
| Deferred inflows - OPEB related | | 3,274 |
| Net cash provided by (used for) operating activities | \$ | <u>1,674,256</u> |
| Assets acquired through lease | \$ | 264,846 |

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019

NOTE 1 – BASIS OF PRESENTATION:

The Financial Reporting Entity

The Brunswick-Dinwiddie-Mecklenburg Regional Jail Authority was created pursuant to Article 3.1, Chapter 3, Title 53.1, Code of Virginia (1950), as amended by resolutions duly adopted by the governing bodies of the Counties of Brunswick, Dinwiddie, and Mecklenburg for the purpose of developing a new regional jail to be operated on behalf of the Member Jurisdictions by the Jail Authority. On June 24, 2008, the Jail Authority's name was changed to the Meherrin River Regional Jail Authority. The Board is governed by three members (including the County Administrator and Sheriff) from each of the participating localities and conforms to the statutory provisions of the Code of Virginia (1950), as amended. The Jail Authority is considered to be a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. Construction of the main facility in Alberta, Virginia was completed in early July 2012 at which time the participating localities began sending inmates to the facility. In addition, construction of the satellite facility in Boydton, Virginia was completed in January 2013. The Jail Authority is responsible for operational and debt services costs. Operational costs are paid quarterly and a true-up is done at year end based on actual inmate populations for each locality. The Regional Jail bills each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates include components for both operating and debt service expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Meherrin River Regional Jail Authority 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 Jail Authority uses 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 defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

B. Cash and Cash Equivalents:

The Jail Authority's cash and cash equivalents consist of cash on hand and demand deposits.

For the purposes of the statement of cash flows, the Jail Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

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

B. Cash and Cash Equivalents: (Continued)

Restricted cash and investments represent required debt service reserves for VRA Bonds.

C. Investments:

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

D. Capital Assets:

Capital assets are recorded at cost. Donated capital assets are recorded at acquisition value at the date of gift. The Jail Authority's capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of construction include legal, bond and loan closing costs, plus interest costs less interest earned on construction funds during the period of construction.

Depreciation is provided using the straight-line method over the estimated useful lives of each asset class as follows:

| | |
|-----------------------------------|---------------|
| Buildings and improvements | 50 years |
| Land/site improvements | 20 years |
| Equipment, furniture and fixtures | 5 to 20 years |
| Vehicles | 5 years |
| Intangibles | 5 years |
| Lease equipment | 5 years |

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

E. 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.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

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

F. Bond Premium:

A premium of \$4,908,336 resulted from the refunding of bonds issued in association with the financing of jail construction. The premium is being amortized using the effective interest method over the life of the bond issue of 25 years. Amortization for FY 2019 totaled \$321,279. The balance of the unamortized bond premium at June 30, 2019 is \$4,118,525.

G. 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.

H. Net Position Flow Assumption:

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

I. Vacation, Sick, and Holiday Leave:

Jail Authority employees will earn vacation and sick leave in varying amounts on a semi-monthly basis, based upon length of service. Annual carryover limitations apply to vacation hours but not to sick leave. Employees are compensated for unused vacation and sick leave upon separation, retirement or death based upon years of service and are limited to a maximum dollar amount. Holidays earned by an employee, classified as essential personnel, will be those days specified by the Meherrin River Regional Jail Authority to be taken. All non-essential personnel, as designated by the Superintendent, will take the thirteen scheduled holidays granted per year unless ordered otherwise.

J. Budget:

The Superintendent must submit a balanced budget to the Jail Authority on or before January 1st each year. The budget denotes per diem rates charged to member jurisdictions, and line item revenues and expenses. The Jail Authority must adopt a final budget on or before June 30th each year.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

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

K. 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. The Jail Authority has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Certain items related to the measurement of the net pension asset, the net OPEB asset, the net OPEB liabilities, and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset, net OPEB asset, and net OPEB liabilities 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. The Jail Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension asset, net OPEB asset, and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on this item, reference the related notes.

L. Pensions:

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

M. Other Postemployment Benefits (OPEB)

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits:

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

Investments:

Statutes authorize the Jail 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 Jail Authority does not have a policy related to the credit risk of investments.

Credit Risk of Debt Securities:

The Jail Authority’s rated debt investments as of June 30, 2019 were rated by Moody’s and the ratings are presented below using Moody’s rating scale.

| Fiscal Year 2019 | |
|-------------------------------------|-----------------------------|
| Rated Debt Investments Value | Fair Quality Ratings |
| | AAA/AAAm |
| U. S. Treasury Bonds and Notes | \$ 2,571,875 |
| State Non-Arbitrage Pool | 53,238 |
| Local Government Investment Pool | 1,103,352 |
| Total | \$ 3,728,465 |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk:

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

| | Fiscal Year 2019 | | |
|----------------------------------|---|---------------------|-------------------------|
| | Investment Maturities (in years) | | |
| | <u>Value</u> | <u>1-5 Years</u> | <u>Less than 1 Year</u> |
| U. S. Treasury Securities | \$ 2,571,875 | \$ 2,571,875 | \$ - |
| State Non-Arbitrage Pool | 53,238 | - | 53,238 |
| Local Government Investment Pool | 1,103,352 | - | 1,103,352 |
| Total | <u>\$ 3,728,465</u> | <u>\$ 2,571,875</u> | <u>\$ 1,156,590</u> |

External Investment Pool:

The value of the positions in the external investment pools (Local Government Investment Pool (LGIP) and State Non-Arbitrage Pool (SNAP)) is the same as the values of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4 – FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Jail Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Jail Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 4 – FAIR VALUE MEASUREMENTS: (CONTINUED)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

Change in Fair Value of Investments:

| | | |
|---|--------|-------------------------|
| Fair value at 6/30/19 | \$ | 2,571,875 |
| Add: Proceeds for investments sold | | - |
| Less: Cost of Investments purchased | | - |
| Less: Fair value at 6/30/18 | \$ | <u>2,563,775</u> |
| Change in fair value of investments | \$ | <u><u>8,100</u></u> |

The Jail Authority has the following recurring fair value measurements as of June 30, 2019:

| <u>Investment</u> | <u>6/30/2019</u> | <u>Fair Value Measurement Using</u> | | |
|---------------------------|------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| U. S. Treasury Securities | \$ 2,571,875 | \$ 2,571,875 | \$ - | \$ - |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 5 – CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended June 30, 2019:

| June 30, 2019: | <u>Balance June 30, 2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2019</u> |
|--|----------------------------------|------------------------------|--------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,061,626 | \$ - | \$ - | \$ 1,061,626 |
| Total capital assets not being depreciated | <u>\$ 1,061,626</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,061,626</u> |
| Capital assets being depreciated: | | | | |
| Land/site improvements - fencing | \$ 20,504 | \$ - | \$ - | \$ 20,504 |
| Buildings and improvements | 65,203,786 | - | - | 65,203,786 |
| Equipment, furniture, fixtures | 1,293,906 | 21,148 | - | 1,315,054 |
| Vehicles | 652,992 | 81,191 | - | 734,183 |
| Intangibles | 362,253 | - | - | 362,253 |
| Leased equipment | - | 264,846 | - | 264,846 |
| Total capital assets being depreciated | <u>\$ 67,533,441</u> | <u>\$ 367,185</u> | <u>\$ -</u> | <u>\$ 67,900,626</u> |
| Less: Accumulated depreciation | | | | |
| Land/site improvements - fencing | \$ 7,176 | \$ 1,025 | \$ - | \$ 8,201 |
| Buildings and improvements | 7,829,457 | 1,308,536 | - | 9,137,993 |
| Equipment, furniture, fixtures | 674,060 | 98,247 | - | 772,307 |
| Vehicles | 570,350 | 45,730 | - | 616,080 |
| Intangibles | 362,253 | - | - | 362,253 |
| Leased equipment | - | 52,969 | - | 52,969 |
| Total accumulated depreciation | <u>\$ 9,443,296</u> | <u>\$ 1,506,507</u> | <u>\$ -</u> | <u>\$ 10,949,803</u> |
| Net capital assets being depreciated | <u>\$ 58,090,145</u> | <u>\$ (1,139,322)</u> | <u>\$ -</u> | <u>\$ 56,950,823</u> |
| Total capital assets | <u><u>\$ 59,151,771</u></u> | <u><u>\$ (1,139,322)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 58,012,449</u></u> |

Reconciliation of Net Investment in Capital Assets:

| | |
|----------------------------------|-----------------------------|
| Net Capital Assets | \$ 58,012,449 |
| Outstanding Bonds and Leases | (40,125,783) |
| Deferred Charge on Refunding | 2,556,071 |
| Unspent Proceeds - DSRF Deposit | 2,532,031 |
| Proceeds Spent on Operations | 2,133,798 |
| Net Investment in Capital Assets | <u><u>\$ 25,108,566</u></u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 6 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

| June 30, 2019: | Balance June 30, 2018 | Issuances | Reductions | Balance June 30, 2019 | Due Within One Year |
|--|--------------------------------------|---------------------|---------------------|--------------------------------------|------------------------------------|
| Direct borrowings and placements: | | | | | |
| Revenue bonds | \$ 36,760,000 | \$ - | \$ 965,000 | \$ 35,795,000 | \$ 995,000 |
| Add: | | | | | |
| Unamortized bond premium | 4,439,804 | - | 321,279 | 4,118,525 | 321,279 |
| Total direct borrowings and placements | \$ 41,199,804 | \$ - | \$ 1,286,279 | \$ 39,913,525 | \$ 1,316,279 |
| Lease liabilities | - | 264,846 | 52,588 | 212,258 | 48,301 |
| Compensated absences | 567,908 | 651,562 | 609,735 | 609,735 | 60,974 |
| Net OPEB liabilities | 660,400 | 106,900 | 209,200 | 558,100 | - |
| Total Long-Term Obligations | <u>\$ 42,428,112</u> | <u>\$ 1,023,308</u> | <u>\$ 2,157,802</u> | <u>\$ 41,293,618</u> | <u>\$ 1,425,554</u> |

Default Provisions

The outstanding notes from direct borrowings and direct placements contain a provision that in an event of default, the entire unpaid principal and interest amounts become immediately due if the Jail Authority is unable to make payment, but only from the collateral and other funds specifically pledged. If any installment of principal of and interest on is not paid to the registered owner within ten days after its due date, the Jail Authority shall pay a late payment charge in an amount equal to five percent (5.0%) of the overdue installment.

If any failure of the Authority to pay all or any portion of any required payment of the principal of or premium, if any, or interest results in a withdrawal from or a drawing on any Reserve (as defined in the Financing Agreement), the applicable interest rates shall be increased to interest rates sufficient to reimburse the Reserve for any foregone investment earnings on the funds withdrawn therefrom and pay any interest, fees or penalties assessed as a result of the withdrawal from or drawing on the Reserve.

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending June 30, | Direct Borrowings and Placements | | Lease Liabilities | | Total | |
|---------------------------------|---|----------------------|--------------------------|------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2020 | \$ 995,000 | \$ 1,555,043 | \$ 48,301 | \$ 10,133 | \$ 1,043,301 | \$ 1,565,176 |
| 2021 | 1,030,000 | 1,522,643 | 50,659 | 7,775 | 1,080,659 | 1,530,418 |
| 2022 | 1,025,000 | 1,479,897 | 53,135 | 5,300 | 1,078,135 | 1,485,197 |
| 2023 | 1,080,000 | 1,425,956 | 55,732 | 2,702 | 1,135,732 | 1,428,658 |
| 2024 | 1,135,000 | 1,369,197 | 4,431 | 58 | 1,139,431 | 1,369,255 |
| 2025-2029 | 6,630,000 | 5,885,688 | - | - | 6,630,000 | 5,885,688 |
| 2030-2034 | 8,535,000 | 3,985,509 | - | - | 8,535,000 | 3,985,509 |
| 2035-2039 | 10,550,000 | 1,960,594 | - | - | 10,550,000 | 1,960,594 |
| 2040-2041 | 4,815,000 | 188,559 | - | - | 4,815,000 | 188,559 |
| Total | <u>\$ 35,795,000</u> | <u>\$ 19,373,086</u> | <u>\$ 212,258</u> | <u>\$ 25,968</u> | <u>\$ 36,007,258</u> | <u>\$ 19,399,054</u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 6 – LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations are as follows:

| | <u>Total</u> |
|--|-----------------------------|
| Direct Borrowings and Placements (Revenue Bonds Payable): | |
| \$40,415,000 VRA bonds for jail construction, Series 2010 issued August 18, 2010 and partially refunded in 2016, interest at rates ranging from 2.2525% to 3.2%, maturing in various quarterly installments ranging from \$8,240 to \$523,240 through October 1, 2020. | \$ 2,025,000 |
| \$33,770,000 VRA refunding bonds, Series 2016 issued November 16, 2016, interest at rates ranging from 3.375% to 5.125%, maturing in various quarterly installments ranging from \$23,798 to \$1,251,298 through October 10, 2040. | 33,770,000 |
| Add: Unamortized bond premium | <u>4,118,525</u> |
| Total direct borrowings and placements (revenue bonds payable) | <u>\$ 39,913,525</u> |
| Lease Liabilities: | |
| \$47,400 IBM lease agreement for a server, dated 11/30/18, due in 60 monthly installments of \$898 beginning December 31, 2018, with an interest rate of 5.15%. | \$ 42,474 |
| \$217,446 Dell lease agreement for computer equipment, dated 10/9/18, due in annual installments of \$47,662 beginning January 2019, with an interest rate of 4.70%. There is an option to purchase the equipment at the end of the lease for \$1. | <u>169,784</u> |
| Total lease liabilities | <u>\$ 212,258</u> |
| Compensated Absences | \$ 609,735 |
| Net OPEB liabilities | <u>558,100</u> |
| Total long-term obligations | <u><u>\$ 41,293,618</u></u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 6 – LONG-TERM OBLIGATIONS: (CONTINUED)

Advance Refunding

The Jail Authority issued a \$33,770,000 revenue bond with interest rates ranging from 3.88% to 5.125%. The proceeds were used to advance refund \$33,790,000 of an outstanding VRA Series 2010B, revenue bond which had interest rates ranging from 2.25% to 5.20%. The net proceeds of \$38,816,034 (including a \$4,908,336 premium, \$137,699 Debt Service Reserve Fund release, and after payment of \$294,031 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded portion of the bond. As a result, this portion of the VRA Series 2010B revenue bond is considered defeased and the liability for those bonds has been removed from the statement of net position. The VRA Series 2010B remaining unrefunded portion of \$2,990,000 is being paid until the callable maturity date in 2020.

The reacquisition price exceeded the net carrying amount of the old debt by \$3,046,250. This amount is reported as the deferred charge on refunding and amortized over the remaining life of the refunding debt. The jail advance refunded the VRA Series 2010B revenue bond to reduce its total debt service payments over 25 years by \$4,364,753 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,901,052.

NOTE 7 – CONTRIBUTIONS FROM OTHERS:

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed \$2,493,477 for the construction of the Mecklenburg satellite facility. The remaining balance of \$454,015 is shown as Due to Members on the Statement of Net Position.

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed \$2,549,715 for debt service during FY 2019.

| | <u>Amount</u> |
|------------------------------|----------------------------|
| Member Contributions Boydton | \$ - |
| Local Share of Debt Service | <u>2,549,715</u> |
| Total | <u><u>\$ 2,549,715</u></u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8 – PENSION PLAN:

Plan Description

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

Benefit Structures

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8 – PENSION PLAN: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | 6 |
| Inactive members: | |
| Vested inactive members | 9 |
| Non-vested inactive members | 84 |
| Inactive members active elsewhere in VRS | <u>49</u> |
| Total inactive members | 142 |
| Active members | <u>131</u> |
| Total covered employees | <u><u>279</u></u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8 – PENSION PLAN: (CONTINUED)

Contributions

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

The Jail Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 12.15% of covered employee compensation. The 2018 and 2017 rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Jail Authority were \$685,197 and \$579,064 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Asset

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

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Meherrin River Regional Jail Authority Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees: (Continued)

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

Largest 10 – Non-Hazardous Duty:

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8 – 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 Meherrin River Regional Jail Authority Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – PENSION PLAN: (CONTINUED)

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

Mortality rates: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period 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% |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – 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:

| <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%.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Meherrin River Regional Jail Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Asset

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension (Asset) Liability (a) - (b) |
| Balances at June 30, 2017 | \$ 4,102,297 | \$ 5,218,363 | \$ (1,116,066) |
| Changes for the year: | | | |
| Service cost | \$ 877,929 | \$ - | \$ 877,929 |
| Interest | 283,344 | - | 283,344 |
| Differences between expected and actual experience | (310,771) | - | (310,771) |
| Contributions - employer | - | 579,289 | (579,289) |
| Contributions - employee | - | 244,748 | (244,748) |
| Net investment income | - | 406,623 | (406,623) |
| Benefit payments, including refunds of employee contributions | (109,059) | (109,059) | - |
| Administrative expenses | - | (2,837) | 2,837 |
| Other changes | - | (393) | 393 |
| Net changes | <u>\$ 741,443</u> | <u>\$ 1,118,371</u> | <u>\$ (376,928)</u> |
| Balances at June 30, 2018 | <u>\$ 4,843,740</u> | <u>\$ 6,336,734</u> | <u>\$ (1,492,994)</u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – PENSION PLAN: (CONTINUED)

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

The following presents the net pension asset of the Jail Authority using the discount rate of 7.00%, as well as what the Jail Authority’s net pension asset 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:

| | 1.00% Decrease (6.00%) | Rate Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|---|-----------------------------------|---|-----------------------------------|
| Meherrin River Regional Jail Net Pension Liability (Asset) | (\$600,617) | (\$1,492,994) | (\$2,201,458) |

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

For the year ended June 30, 2019, the Jail Authority recognized pension expense of \$283,165. At June 30, 2019, the Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 624,548 |
| Changes of assumptions | - | 70,171 |
| Net difference between projected and actual earnings on pension plan investments | - | 77,193 |
| Employer contributions subsequent to the measurement date | 685,197 | - |
| Total | <u>\$ 685,197</u> | <u>\$ 771,912</u> |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 8 – PENSION PLAN: (CONTINUED)

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

\$685,197 reported as deferred outflows of resources related to pensions resulting from the Jail Authority’s contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|--------------|
| 2020 | \$ (223,000) |
| 2021 | (233,916) |
| 2022 | (266,466) |
| 2023 | (48,530) |
| 2024 | - |
| Thereafter | - |

Pension Plan Data

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

HEALTH INSURANCE CREDIT (HIC) PROGRAM:

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Plan Description: (Continued)

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | <u>1</u> |
| Inactive members: | |
| Vested inactive members | - |
| Non-vested inactive members | - |
| Inactive members active elsewhere in VRS | - |
| Total inactive members | <u>-</u> |
| Active members | 131 |
| Total covered employees | <u><u>132</u></u> |

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) 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. The Jail Authority's contractually required employer contribution rate for the year ended June 30, 2019 was .16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 Jail Authority to the HIC Program were \$9,096 and \$8,876 for the years ended June 30, 2019 and June 30, 2018, respectively.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Net HIC OPEB Asset

The Jail Authority's net HIC OPEB asset was measured as of June 30, 2018. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

| | |
|--|---|
| Inflation | 2.5% |
| Salary increases, including inflation: | |
| 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 the OPEB liabilities.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability 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 difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Changes in Net HIC OPEB Asset

| | Increase (Decrease) | | |
|---|---------------------------------------|--|---|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2017 | \$ 40,784 | \$ 57,318 | \$ (16,534) |
| Changes for the year: | | | |
| Service cost | \$ 8,669 | \$ - | \$ 8,669 |
| Interest | 2,813 | - | 2,813 |
| Differences between expected and actual experience | (6,815) | - | - |
| Contributions - employer | - | 8,872 | (8,872) |
| Net investment income | - | 4,288 | (4,288) |
| Benefit payments | (1,193) | (1,193) | - |
| Administrative expenses | - | (111) | 111 |
| Other changes | - | (234) | 234 |
| Net changes | \$ 3,474 | \$ 11,622 | \$ (8,148) |
| Balances at June 30, 2018 | \$ 44,258 | \$ 68,940 | \$ (24,682) |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

Sensitivity of the Jail Authority’s HIC Net OPEB Asset to Changes in the Discount Rate

The follow presents the Jail Authority’s HIC Program net HIC OPEB asset using the discount rate of 7.00%, as well as what the Jail Authority’s net HIC OPEB asset 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%) |
| Jail Authority's Net HIC OPEB Asset | \$ (17,722) | \$ (24,682) | \$ (30,388) |

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2019, the Jail Authority recognized HIC Program OPEB expense of \$5,998. At June 30, 2019, the Jail Authority reported deferred outflows of resources and deferred inflows of resources related to the Jail Authority’s HIC Program from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 6,048 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | - | 1,343 |
| Change in assumptions | - | 2,531 |
| Employer contributions subsequent to the measurement date | 9,096 | - |
| Total | \$ 9,096 | \$ 9,922 |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

HEALTH INSURANCE CREDIT (HIC) PROGRAM: (CONTINUED)

HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB (Continued)

\$9,096 reported as deferred outflows of resources related to the HIC OPEB resulting from the Jail Authority’s contributions subsequent to the measurement date will be recognized as a component of the Net HIC OPEB Asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

| | | |
|------------|----|---------|
| 2020 | \$ | (1,560) |
| 2021 | | (1,560) |
| 2022 | | (1,562) |
| 2023 | | (1,117) |
| 2024 | | (1,114) |
| Thereafter | | (3,009) |

HIC Program Plan Data

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

GROUP LIFE INSURANCE (GLI) PROGRAM:

Plan Description

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Plan Description: (Continued)

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

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

Eligible Employees

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

Benefit Amounts

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$29,791 and \$25,887 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Jail Authority reported a liability of \$395,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .025980% as compared to .02695% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$7,000). 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.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

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

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 19,000 | \$ 7,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 13,000 |
| Change in assumptions | - | 16,000 |
| Changes in proportion | - | 43,000 |
| Employer contributions subsequent to the measurement date | <u>29,791</u> | <u>-</u> |
| Total | <u>\$ 48,791</u> | <u>\$ 79,000</u> |

\$29,791 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | |
|---------------------------|-------------|
| 2020 | \$ (16,000) |
| 2021 | (16,000) |
| 2022 | (16,000) |
| 2023 | (12,000) |
| 2024 | (2,000) |
| Thereafter | 2,000 |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

NET GLI OPEB Liability

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

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

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (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%.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

GROUP LIFE INSURANCE (GLI) PROGRAM: (CONTINUED)

Discount Rate

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

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

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

| | Rate | | |
|---|--------------------|-------------------------|--------------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (6.00%) | (7.00%) | (8.00%) |
| Jail Authority's proportionate share of the GLI Net OPEB Liability | \$ 516,000 | \$ 395,000 | \$ 297,000 |

GLI Program Fiduciary Net Position

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

LINE OF DUTY ACT (LODA)

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Jail Authority has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Jail Authority to VACORP. VACORP assumes all liability for the Jail Authority's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Jail Authority's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The Jail Authority's LODA premium for the year ended June 30, 2018 was \$37,750.

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN

Plan Description

In addition to the pension benefits described in Note 8 and VRS OPEB benefits already discussed, the Jail Authority administers a single-employer defined benefit healthcare plan, The Meherrin River Regional Jail Retiree Medical Plan. The plan provides health insurance benefits to retired employees and their beneficiaries through an employer plan established July 1, 2013. This plan is limited to retirees that were hired on or before July 1, 2012, with a minimum retiree age of 55 and a minimum of 15 years of service. The plan does not issue a publicly available financial report.

Benefits Provided

Post-employment benefits are provided to eligible retirees include Medical, Dental, and Vision insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Retirees are responsible for paying 100% of their monthly premiums. Retirees will be covered based on the level of coverage they had while employed at the jail. The jail may change or terminate any portion of this plan at any time. The plan is closed to new entrants.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN: (CONTINUED)

Plan Membership

At July 1, 2018 (measurement date), the following employees were covered by the benefit terms:

| | |
|--|-----------------|
| Inactive members or their beneficiaries currently receiving benefits | 3 |
| Active members | <u>2</u> |
| Total | <u><u>5</u></u> |

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Jail Authority Board. The amount paid by the Jail Authority for OPEB as the benefits came due during the year ended June 30, 2018 was \$15,700.

Total OPEB Liability

The Jail Authority's total OPEB liability was measured as of July 1, 2018. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of July 1, 2018.

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------|---|
| Discount Rate | 3.62% |
| Healthcare Trend Rate | Starts at 5.60% and gradually declining .50% per year to an ultimate 5.00% |
| Salary Increases | 2.50% |

Mortality rates are based on RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018.

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

Discount Rate

Since the plan has no assets, the discount rate is equal to the Fidelity Index's "20-year Municipal GO AA Index" as of the measurement date.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN: (CONTINUED)

Changes in Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Balances at June 30, 2017 | \$ 254,400 |
| Changes for the year: | |
| Service cost | 4,900 |
| Interest | 9,000 |
| Difference between expected and actual experience | (82,500) |
| Changes in assumptions | (7,000) |
| Contributions - employer | <u>(15,700)</u> |
| Net changes | <u>(91,300)</u> |
| Balances at June 30, 2018 | <u>\$ 163,100</u> |

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

The following amounts present the total OPEB liability of the Jail Authority, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

| <u>1% Decrease (2.62%)</u> | <u>Current Discount Rate (3.62%)</u> | <u>1% Increase (4.62%)</u> |
|--------------------------------|--|--------------------------------|
| \$ 168,200 | \$ 163,100 | \$ 158,300 |

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

The following presents the total OPEB liability of the Jail Authority, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.60% decreasing to an ultimate rate of 4.00%) or one percentage point higher (6.60% decreasing to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

| <u>Rates</u> | | |
|--|--|--|
| <u>Healthcare Cost Trend Rates</u> | | |
| <u>1% Decrease (4.60% decreasing to 4.00%)</u> | <u>(5.60% decreasing to 5.00%)</u> | <u>1% Increase (6.60% decreasing to 6.00%)</u> |
| \$ 158,300 | \$ 163,100 | \$ 168,200 |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

MEHERRIN RIVER REGIONAL JAIL RETIREE MEDICAL PLAN: (CONTINUED)

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

For the year ended June 30, 2019, the Jail Authority recognized OPEB expense in the amount of (\$71,400). At June 30, 2019, the Jail Authority reported no deferred outflows of resources or deferred inflows of resources related to this plan.

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

AGREGGATE OPEB TOTALS:

| | OPEB Aggregate Totals | | | | |
|--------------|------------------------------|---|---------------------------------|--|--------------------|
| | Net OPEB Asset | Deferred Outflows of Resources | Net OPEB Liabilities | Deferred Inflows of Resources | Expense |
| HIC | \$ 24,682 | \$ 9,096 | \$ - | \$ 9,922 | \$ 5,998 |
| GLI | - | 48,791 | 395,000 | 79,000 | (7,000) |
| Retiree Plan | - | - | 163,100 | - | (71,400) |
| Totals | <u>\$ 24,682</u> | <u>\$ 57,887</u> | <u>\$ 558,100</u> | <u>\$ 88,922</u> | <u>\$ (72,402)</u> |

NOTE 10 – COMPENSATED ABSENCES:

Jail Authority employees are granted vacation and sick leave in varying amounts. In addition, certain employees accrue compensation time for overtime hours worked. In the event of termination, employees are reimbursed for their unused accumulated vacation and compensation time.

The Jail Authority had outstanding vacation and compensation time pay totaling \$609,735 as of June 30, 2019 and considers 10% of the balance to be a current liability.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 11 – RISK MANAGEMENT / SELF INSURANCE:

The Jail Authority's risk management program involves maintaining comprehensive insurance coverage and identifying and monitoring loss exposure. The Jail Authority's comprehensive property, boiler and machinery, automobile, business interruption, inland marine and worker's compensation insurance is provided through the Virginia Association of Counties (VACO). The purpose of the association is to create and administer group self-insurance pools for political subdivisions of the Commonwealth of Virginia pursuant to the authority provided in Chapter 11.1 of Title 15.1 of the Code of Virginia. The association is managed by a seven-member supervisory Board, who is elected by members at their annual meeting. Annual rates are based on estimated claims and reserve requirements. Pool deficits, should they materialize, will be eliminated through the levying of an additional assessment upon association members.

General liability and faithful performance of duty bond coverages are provided by the Commonwealth of Virginia, Department of General Services, and Division of Risk Management. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Employee Health Insurance:

Health Insurance coverage is provided to Jail employees through the Jail Authority's self-insured health insurance program. The Jail Authority changed to a self-insured Health Insurance program as of July 1, 2014. The Jail has contracted with private carriers to administer this activity. Health Insurance expenses represent premium payments to the private carrier. The premium payments are based on the number insured and benefits.

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal years 2019, 2018 and 2017 are listed as follows:

| Fiscal Year Ended | Estimated Claims Liability Beginning of Fiscal Year | Current Year Claims and Changes in Estimates | Claim Payments | Estimated Claims Liability End of Fiscal Year |
|------------------------------|--|---|---------------------------|--|
| June 30, 2019 | \$ 101,270 | \$ 1,631,793 | \$ 1,606,368 | \$ 126,695 |
| June 30, 2018 | 89,135 | 1,419,262 | 1,407,127 | 101,270 |
| June 30, 2017 | 85,451 | 1,401,748 | 1,398,064 | 89,135 |

Unemployment Insurance:

The Jail Authority is fully self-insured for unemployment claims. The Virginia Employment Commission bills the Jail Authority for all unemployment claims. As of June 30, 2019, the Jail Authority has incurred no liability for billed but unpaid claims. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 12 – LITIGATION:

At June 30, 2019, there were no matters of litigation involving the Jail Authority which would materially affect the Jail Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 13 – DUE FROM (TO) OTHER GOVERNMENTS:

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

| | | |
|---------------------------------------|----|-------------------------|
| From (To) Virginia Compensation Board | \$ | 503,632 |
| From (To) Member Jurisdictions | | |
| Brunswick County-per diem | | (112,229) |
| Dinwiddie County-per diem | | (190,600) |
| Mecklenburg County-per diem | | (603,395) |
| Member Contributions Boydton | | <u>(454,015)</u> |
| | | (1,360,239) |
| Total | \$ | <u><u>(856,607)</u></u> |

NOTE 14 – ADOPTION OF ACCOUNTING PRINCIPLES:

The Jail Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The Jail Authority also early implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2019. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 15 – UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Management is currently evaluating the impact this standard will have on the financial statements when adopted.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension Asset and Related Ratios

VRS Pension Plan

For the Measurement Dates of June 30, 2014 through June 30, 2018

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service cost | \$ 877,929 | \$ 951,239 | \$ 951,308 | \$ 997,772 | \$ 949,467 |
| Interest | 283,344 | 243,788 | 187,566 | 112,780 | 45,837 |
| Differences between expected and actual experience | (310,771) | (398,750) | (259,747) | (12,193) | - |
| Changes in assumptions | - | (116,033) | - | - | - |
| Benefit payments, including refunds of employee contributions | (109,059) | (121,253) | (30,675) | (29,297) | (48,652) |
| Net change in total pension liability | <u>\$ 741,443</u> | <u>\$ 558,991</u> | <u>\$ 848,452</u> | <u>\$ 1,069,062</u> | <u>\$ 946,652</u> |
| Total pension liability - beginning | <u>4,102,297</u> | <u>3,543,306</u> | <u>2,694,854</u> | <u>1,625,792</u> | <u>679,140</u> |
| Total pension liability- ending (a) | <u>\$ 4,843,740</u> | <u>\$ 4,102,297</u> | <u>\$ 3,543,306</u> | <u>\$ 2,694,854</u> | <u>\$ 1,625,792</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 579,289 | \$ 583,584 | \$ 628,942 | \$ 638,952 | \$ 652,301 |
| Contributions - employee | 244,748 | 247,096 | 264,372 | 270,366 | 273,876 |
| Net investment income | 406,623 | 536,453 | 79,790 | 118,736 | 213,835 |
| Benefit payments, including refunds of employee contributions | (109,059) | (121,253) | (30,675) | (29,297) | (48,652) |
| Administrative expense | (2,837) | (2,350) | (1,369) | (713) | (405) |
| Other | (393) | (510) | (28) | (28) | 11 |
| Net change in plan fiduciary net position | <u>\$ 1,118,371</u> | <u>\$ 1,243,020</u> | <u>\$ 941,032</u> | <u>\$ 998,016</u> | <u>\$ 1,090,966</u> |
| Plan fiduciary net position - beginning | <u>5,218,363</u> | <u>3,975,343</u> | <u>3,034,311</u> | <u>2,036,295</u> | <u>945,329</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 6,336,734</u> | <u>\$ 5,218,363</u> | <u>\$ 3,975,343</u> | <u>\$ 3,034,311</u> | <u>\$ 2,036,295</u> |
| Authority's net pension asset - ending (b) - (a) | <u>\$ (1,492,994)</u> | <u>\$ (1,116,066)</u> | <u>\$ (432,037)</u> | <u>\$ (339,457)</u> | <u>\$ (410,503)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 130.82% | 127.21% | 112.19% | 112.60% | 125.25% |
| Covered payroll | <u>\$ 4,929,397</u> | <u>\$ 4,956,500</u> | <u>\$ 5,288,557</u> | <u>\$ 5,372,071</u> | <u>\$ 5,435,712</u> |
| Authority's net pension asset as a percentage of covered payroll | -30.29% | -22.52% | -8.17% | -6.32% | -7.55% |

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.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions

VRS Pension Plan

For the Years Ended June 30, 2013 through June 30, 2019

| 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) |
|-------------|--|---|---|---|--|
| 2019 | \$ 685,197 | 685,197 | \$ - | \$ 5,681,359 | 12.06% |
| 2018 | 579,064 | 579,064 | - | 4,929,397 | 11.75% |
| 2017 | 584,374 | 584,374 | - | 4,956,500 | 11.79% |
| 2016 | 629,338 | 629,338 | - | 5,288,557 | 11.90% |
| 2015 | 639,279 | 639,279 | - | 5,372,071 | 11.90% |
| 2014 | 652,286 | 652,286 | - | 5,435,712 | 12.00% |
| 2013 | 583,639 | 583,639 | - | 4,863,661 | 12.00% |

Meherrin River Regional Jail opened July 1, 2012.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

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

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Changes in the Authority's Net OPEB Asset and Related Ratios

VRS Health Insurance Credit Program (HIC)

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

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|
| Total HIC OPEB Liability | | |
| Service cost | \$ 8,669 | \$ 9,947 |
| Interest | 2,813 | 2,193 |
| Differences between expected and actual experience | (6,815) | - |
| Changes in assumptions | - | (3,225) |
| Benefit payments | (1,193) | 1,077 |
| Net change in total HIC OPEB liability | <u>\$ 3,474</u> | <u>\$ 9,992</u> |
| Total HIC OPEB Liability - beginning | 40,784 | 30,792 |
| Total HIC OPEB Liability - ending (a) | <u><u>\$ 44,258</u></u> | <u><u>\$ 40,784</u></u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 8,872 | \$ 8,921 |
| Net investment income | 4,288 | 5,486 |
| Benefit payments | (1,193) | 1,077 |
| Administrative expense | (111) | (102) |
| Other | (234) | 234 |
| Net change in plan fiduciary net position | <u>\$ 11,622</u> | <u>\$ 15,616</u> |
| Plan fiduciary net position - beginning | 57,318 | 41,702 |
| Plan fiduciary net position - ending (b) | <u><u>\$ 68,940</u></u> | <u><u>\$ 57,318</u></u> |
| Authority's net HIC OPEB asset - ending (a) - (b) | \$ (24,682) | \$ (16,534) |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 155.77% | 140.54% |
| Covered payroll | \$ 4,929,397 | \$ 4,956,500 |
| Authority's net HIC OPEB asset as a percentage of covered payroll | -0.50% | -0.33% |

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.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Authority's Share of Net OPEB Liability

VRS Group Life Insurance Program (GLI)

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

| Date | Employer's Proportion of the Net GLI OPEB Liability (Asset) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability |
|-------------|--|---|---|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2018 | 0.02598% \$ | 395,000 \$ | 4,940,640 | 7.99% | 51.22% |
| 2017 | 0.02695% | 406,000 | 4,956,500 | 8.19% | 48.86% |

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions

VRS OPEB Plans

For the Years Ended June 30, 2013 through June 30, 2019

| 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 (GLI) Program | | | | | |
| 2019 | \$ 29,791 | \$ 29,791 | \$ - | \$ 5,685,685 | 0.52% |
| 2018 | 25,887 | 25,887 | - | 4,940,640 | 0.52% |
| 2017 | 25,846 | 25,846 | - | 4,956,500 | 0.52% |
| 2016 | 25,385 | 25,385 | - | 5,288,557 | 0.48% |
| 2015 | 25,598 | 25,598 | - | 5,372,071 | 0.48% |
| 2014 | 25,875 | 25,875 | - | 5,435,712 | 0.48% |
| 2013 | 23,162 | 23,162 | - | 4,863,661 | 0.48% |
| Health Insurance Credit (HIC) Program | | | | | |
| 2019 | \$ 9,096 | \$ 9,096 | \$ - | \$ 5,681,359 | 0.16% |
| 2018 | 8,876 | 8,876 | - | 4,929,397 | 0.18% |
| 2017 | 8,920 | 8,920 | - | 4,956,500 | 0.18% |
| 2016 | 10,577 | 10,577 | - | 5,288,557 | 0.20% |
| 2015 | 10,747 | 10,747 | - | 5,372,071 | 0.20% |
| 2014 | 24,572 | 24,572 | - | 5,435,712 | 0.45% |
| 2013 | 6,330 | 6,330 | - | 4,863,661 | 0.13% |

Meherrin River Regional Jail opened July 1, 2012.

Notes to Required Supplementary Information
VRS OPEB Plans
For the Year Ended June 30, 2019

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

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:

Health Insurance Credit Program (HIC)

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% |

Notes to Required Supplementary Information
VRS OPEB Plans
For the Year Ended June 30, 2019 (Continued)

Group Life Insurance Program (GLI)

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% |

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Changes in Total OPEB Liability and Related Ratios

Retiree Medical Plan

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

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|-------------------|
| Total OPEB liability | | |
| Service cost | \$ 4,900 | \$ 5,000 |
| Interest | 9,000 | 8,800 |
| Changes in assumptions | (7,000) | - |
| Differences between expected and actual experience | (82,500) | - |
| Benefit payments | (15,700) | (15,700) |
| Net change in total OPEB liability | \$ (91,300) | \$ (1,900) |
| Total OPEB liability - beginning | 254,400 | 256,300 |
| Total OPEB liability - ending | \$ 163,100 | \$ 254,400 |
| | | |
| Covered-employee payroll | \$ 213,000 | \$ 212,900 |
| | | |
| Authority's total OPEB liability (asset) as a percentage of covered payroll | 76.57% | 119.49% |

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions

Retiree Medical Plan

For the Years Ended June 30, 2014 through June 30, 2019

| Date | Actuarially Determined Contribution (ADC) (1) | Contributions in Relation to ADC (2) | Contribution Deficiency (Excess) (3) | Covered- Employee Payroll (4) | Contributions as a % of Covered- Employee Payroll (5) |
|-------------|--|---|---|--|--|
| 2019 | \$ 15,700 | \$ 15,700 | \$ - | \$ 111,600 | 14.07% |
| 2018 | 15,700 | 15,700 | - | 213,000 | 7.37% |
| 2017 | 15,700 | 15,700 | - | 212,900 | 7.37% |
| 2016 | 15,600 | 15,600 | - | 283,900 | 5.49% |
| 2015 | 10,100 | 10,100 | - | 283,900 | 3.56% |
| 2014 | 8,200 | 8,200 | - | 283,900 | 2.89% |

Schedule is intended to show information for 10 years. Meherrin River Regional Jail opened July 1, 2012. The Retiree Medical Plan began in fiscal year 2014.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information

Retiree Medical Plan

For the Year Ended June 30, 2019

Valuation Date: 7/1/2018

Measurement Date: 7/1/2018

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

Methods and assumptions used to determine OPEB liability:

| | |
|-----------------------|--|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 3.62% as of 6/30/19, representing the Municipal GO AA 20-year curve rate. |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 5.60% and gradually declining .50% per year to an ultimate 5.00% |
| Salary Increase Rates | The salary increase rate is a constant rate of 2.50% |
| Mortality Rates | RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017 |

STATISTICAL INFORMATION

The statistical section is a required part of the Comprehensive Annual Financial Report (CAFR) per Governmental Accounting Standards Board Statement 44. The statistical section presents detailed information in ten-year trends, which assists users in utilizing the basic financial statements, notes to the basic financial statements, and requires supplementary information to assess the economic condition of an organization.

The statistical section is broken down into five categories; financial trend data, revenue capacity data, debt capacity data, demographic and economic information, and operating information.

The financial trend data is comprised of tables that show net position by component, changes in net position, operating expenses, other revenues and expenses, and operating revenues and expenses. The revenue capacity data looks at such things as operating revenues by source, revenue and billed inmate days by customer and largest revenue source. The debt capacity data shows outstanding debt by type and revenue bond coverage ratios. The demographic and economic information is comprised of number of inmates, principal employers, population, and unemployment rates by jurisdiction. The operating information contains tables for number of employees by activities and a listing of insurance coverage.

TABLE 1

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
NET POSITION BY COMPONENT**

Last Ten Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014¹</u> | <u>2013</u> |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|-------------------|
| Net investment in capital assets | \$ 25,108,566 | \$ 26,177,891 | \$ 26,539,956 | \$ 27,068,830 | \$ 27,569,130 | \$ 28,143,944 | \$ 241,136 |
| Restricted for debt service | 93,083 | - | - | - | - | - | - |
| Unrestricted | <u>9,983,360</u> | <u>7,244,248</u> | <u>5,853,677</u> | <u>4,483,798</u> | <u>3,077,973</u> | <u>1,393,421</u> | <u>292,371</u> |
| Total Net Position | <u>\$ 35,185,009</u> | <u>\$ 33,422,139</u> | <u>\$ 32,393,633</u> | <u>\$ 31,552,628</u> | <u>\$ 30,647,103</u> | <u>\$ 29,537,365</u> | <u>\$ 533,507</u> |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

¹ The large increase in net position in FY 2014 is primarily due to a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off \$29,320,000 in interim financing causing an especially large decrease in liabilities.

TABLE 2

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
CHANGES IN NET POSITION**

Last Ten Fiscal Years

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income (Loss) | Nonoperating Revenues | Nonoperating Expenses | Total Capital Contributions | Change In Net Position |
|--------------------|---------------------------|---------------------------|--------------------------------|------------------------------|------------------------------|------------------------------------|-------------------------------|
| 2019 | \$ 14,559,488 | \$ 14,029,572 | \$ 529,916 | \$ 2,690,266 | \$ 1,457,312 | \$ - | \$ 1,762,870 |
| 2018 | 14,561,267 | 13,942,602 | 618,665 | 2,553,429 | 1,482,519 | - | 1,689,575 |
| 2017 | 13,609,619 | 13,603,610 | 6,009 | 2,661,183 | 1,826,187 | - | 841,005 |
| 2016 | 13,552,970 | 13,833,902 | (280,932) | 2,867,694 | 1,681,237 | - | 905,525 |
| 2015 | 13,004,465 | 13,908,237 | (903,772) | 2,774,095 | 1,699,152 | 20,077 | 191,248 |
| 2014 | 12,266,456 | 13,776,861 | (1,510,405) | 1,839,601 | 1,772,010 | 30,446,672 ¹ | 29,003,858 |
| 2013 | 12,594,951 | 13,301,434 | (706,483) | - | - | 2,261,618 | 1,555,135 |

NOTE: Meherrin River Regional Jail opened July 1, 2012

¹ The large increase in capital contributions in FY 2014 is primarily due to a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off \$29,320,000 in interim financing causing an especially large decrease in liabilities.

TABLE 3

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING EXPENSES**

Last Ten Fiscal Years

| Year | Personnel | Fringes | Contractual | Other Charges | Depreciation | Expenses |
|-------------|------------------|----------------|--------------------|----------------------|---------------------|-----------------|
| 2019 | \$ 5,938,277 | \$ 2,299,641 | \$ 2,190,091 | \$ 2,095,055 | \$ 1,506,508 | \$ 14,029,572 |
| 2018 | 5,286,912 | 2,291,765 | 2,635,717 | 2,274,761 | 1,453,447 | 13,942,602 |
| 2017 | 5,120,551 | 2,376,546 | 2,478,751 | 2,180,213 | 1,447,549 | 13,603,610 |
| 2016 | 5,437,858 | 2,230,394 | 2,525,703 | 2,035,067 | 1,604,880 | 13,833,902 |
| 2015 | 5,492,791 | 2,237,722 | 2,529,170 | 2,070,740 | 1,577,814 | 13,908,237 |
| 2014 | 5,591,719 | 2,327,033 | 2,230,265 | 2,051,373 | 1,576,471 | 13,776,861 |
| 2013 | 5,400,890 | 2,293,469 | 1,861,500 | 2,179,504 | 1,566,072 | 13,301,434 |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 4

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OTHER REVENUES AND EXPENSES**

Last Ten Fiscal Years

| Fiscal Year | Nonoperating Revenues | Capital Contributions | Nonoperating Expenses | Total Other Revenues and Expenses |
|------------------------|----------------------------------|----------------------------------|----------------------------------|--|
| 2019 | \$ 2,690,266 | \$ - | \$ 1,457,312 | \$ 1,232,954 |
| 2018 | 2,553,429 | - | 1,482,519 | 1,070,910 |
| 2017 | 2,661,183 | - | 1,826,187 | 834,996 |
| 2016 | 2,867,694 | - | 1,681,237 | 1,186,457 |
| 2015 | 2,774,095 | 20,077 | 1,699,152 | 1,095,020 |
| 2014 | 1,839,601 | 30,446,672 | 1,772,010 | 30,514,263 |
| 2013 | - | 2,261,618 | - | 2,261,618 |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

¹ The large increase in capital contributions in FY 2014 is primarily due to a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off \$29,320,000 in interim financing causing an especially large decrease in liabilities.

TABLE 5

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING REVENUES AND EXPENSES**

Last Ten Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
| Revenues: | | | | | | | |
| Member Jurisdictions | \$ 5,851,662 | \$ 6,300,443 | \$ 5,611,205 | \$ 5,372,922 | \$ 5,017,868 | \$ 4,200,622 | \$ 5,274,218 |
| State Compensation Board | 7,033,267 | 7,339,444 | 7,205,199 | 7,325,919 | 7,155,205 | 7,366,903 | 6,639,914 |
| Inmate Phones | 270,000 | 270,000 | 270,000 | 275,233 | 269,057 | 288,763 | 310,874 |
| Daily Fees | 94,955 | 111,688 | 120,087 | 148,548 | 170,707 | 153,601 | 182,959 |
| Work Release | 56,700 | 50,479 | 39,255 | 66,970 | 63,240 | 48,542 | 27,975 |
| Weekender Fees | 19,225 | 12,151 | 12,820 | 16,540 | 19,575 | 17,904 | 13,227 |
| Home Incarceration | 8,860 | 6,463 | 6,940 | 7,115 | 17,641 | 11,173 | 15,827 |
| Medical Co-Pays | 13,399 | 10,866 | 13,813 | 14,127 | 12,801 | 6,588 | 9,031 |
| Medical Reimbursement | 13,531 | 47,875 | 53,309 | 44,329 | 47,846 | - | - |
| Internet Visitation | 12,410 | 9,144 | 9,705 | 10,809 | 7,530 | 5,075 | - |
| Bed Rentals | 924,630 | 283,536 | 246,350 | 259,341 | 204,300 | 153,975 | - |
| Dining Operations | 180,789 | 51,994 | - | - | - | - | - |
| Miscellaneous | 80,060 | 67,184 | 20,936 | 11,117 | 18,695 | 13,310 | 120,926 |
| Total Revenues | \$ <u>14,559,488</u> | \$ <u>14,561,267</u> | \$ <u>13,609,619</u> | \$ <u>13,552,970</u> | \$ <u>13,004,465</u> | \$ <u>12,266,456</u> | \$ <u>12,594,951</u> |
| Expenses: | | | | | | | |
| Salaries and benefits | \$ 8,237,918 | \$ 7,578,677 | \$ 7,497,097 | \$ 7,668,252 | \$ 7,730,513 | \$ 7,918,752 | \$ 7,694,359 |
| Professional services | 69,018 | 80,453 | 56,202 | 65,803 | 79,786 | 74,462 | 61,531 |
| Materials and supplies | 950,753 | 875,873 | 847,201 | 749,097 | 782,525 | 746,491 | 886,208 |
| Medical services and supplies | 2,121,072 | 2,555,264 | 2,422,549 | 2,459,900 | 2,449,384 | 2,155,802 | 1,799,969 |
| Food service and supplies | 490,794 | 737,368 | 701,782 | 702,751 | 656,597 | 628,475 | 612,681 |
| Utilities | 653,509 | 661,520 | 631,230 | 583,219 | 631,618 | 676,408 | 680,614 |
| Depreciation | 1,506,508 | 1,453,447 | 1,447,549 | 1,604,880 | 1,577,814 | 1,576,471 | 1,566,072 |
| Total expenses | \$ <u>14,029,572</u> | \$ <u>13,942,602</u> | \$ <u>13,603,610</u> | \$ <u>13,833,902</u> | \$ <u>13,908,237</u> | \$ <u>13,776,861</u> | \$ <u>13,301,434</u> |
| Net operating income (loss) | \$ <u>529,916</u> | \$ <u>618,665</u> | \$ <u>6,009</u> | \$ <u>(280,932)</u> | \$ <u>(903,772)</u> | \$ <u>(1,510,405)</u> | \$ <u>(706,483)</u> |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 6

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING REVENUES BY SOURCE**

Last Ten Fiscal Years

| Fiscal Year | County of Brunswick | County of Dinwiddie | County of Mecklenburg | Other Governments | Other | Total |
|--------------------|----------------------------|----------------------------|------------------------------|--------------------------|--------------|---------------|
| 2019 | \$ 1,966,328 | \$ 1,357,364 | \$ 2,527,970 | \$ 7,033,267 | \$ 1,674,559 | \$ 14,559,488 |
| 2018 | 2,168,894 | 1,496,184 | 2,635,365 | 7,339,444 | 921,380 | 14,561,267 |
| 2017 | 1,960,483 | 1,252,815 | 2,397,907 | 7,205,199 | 793,215 | 13,609,619 |
| 2016 | 1,669,520 | 1,193,185 | 2,510,217 | 7,325,919 | 854,129 | 13,552,970 |
| 2015 | 1,470,054 | 1,191,548 | 2,356,266 | 7,155,205 | 831,392 | 13,004,465 |
| 2014 | 1,269,013 | 794,993 | 2,136,616 | 7,366,903 | 698,931 | 12,266,456 |
| 2013 | 1,774,801 | 1,071,699 | 2,427,718 | 6,639,914 | 680,819 | 12,594,951 |

NOTE: Meherrin River Regional Jail opened on July 1, 2012.

TABLE 7

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
REVENUES & BILLED INMATE DAYS - BY CUSTOMER**

Last Ten Fiscal Years

| Fiscal Year | Brunswick County | | | Dinwiddie County | | | Mecklenburg County | | |
|--------------------|-------------------------|-----------------|---------------------------|-------------------------|-----------------|---------------------------|---------------------------|-----------------|---------------------------|
| | Revenue | Per Diem | Inmate Days Billed | Revenue | Per Diem | Inmate Days Billed | Revenue | Per Diem | Inmate Days Billed |
| 2019 | \$1,966,328 | \$ 39.10 | 50,290 | \$1,357,364 | \$ 39.10 | 34,715 | \$2,527,970 | \$ 39.10 | 64,654 |
| 2018 | \$2,168,894 | \$ 43.47 | 49,894 | \$1,496,184 | \$ 43.47 | 34,419 | \$2,635,365 | \$ 43.47 | 60,625 |
| 2017 | \$1,960,483 | \$ 37.50 | 52,280 | \$1,252,815 | \$ 37.50 | 33,408 | \$2,397,907 | \$ 37.50 | 63,944 |
| 2016 | \$1,669,520 | \$ 36.80 | 45,367 | \$1,193,185 | \$ 36.80 | 32,424 | \$2,510,217 | \$ 36.80 | 68,212 |
| 2015 | \$1,470,054 | \$ 30.89 | 47,590 | \$1,191,548 | \$ 30.89 | 38,574 | \$2,356,266 | \$ 30.89 | 76,279 |
| 2014 | \$1,269,013 | \$ 29.95 | 42,371 | \$ 794,993 | \$ 29.95 | 26,544 | \$2,136,616 | \$ 29.95 | 71,339 |
| 2013 | \$1,774,801 | \$ 34.61 | 51,280 | \$1,071,699 | \$ 34.61 | 30,965 | \$2,427,718 | \$ 34.61 | 70,145 |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

Table 8

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
LARGEST REVENUE SOURCE**

Current Year and Period Six Years Ago

| | <u>Fiscal Year 2019</u> | | <u>Fiscal Year 2013</u> | |
|---|-------------------------|----------------|-------------------------|----------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| State Compensation Board | \$ 7,033,267 | 48.31% | \$ 6,639,914 | 52.72% |
| Mecklenburg County | 2,527,970 | 17.36% | 2,427,718 | 19.28% |
| Subtotal | <u>9,561,237</u> | <u>65.67%</u> | <u>9,067,632</u> | <u>71.99%</u> |
| Balance from other revenue sources | <u>4,998,251</u> | <u>34.33%</u> | <u>3,527,319</u> | <u>28.01%</u> |
| Grand Totals | <u>\$ 14,559,488</u> | <u>100.00%</u> | <u>\$ 12,594,951</u> | <u>100.00%</u> |

The table includes the largest revenue sources required to reach 50 percent of the revenue base.

NOTE: Meherrin River Regional Jail opened July 1, 2012.

Table 9

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OUTSTANDING DEBT BY TYPE
AND RATIOS TO PERSONAL INCOME AND POPULATION**

Last Ten Fiscal Years

| Fiscal Year | Revenue Bonds | Notes Payable | Lease Liabilities | Total | Annual Personal Income (1) (in thousands) | Debt to Personal Income | Population (1) | Debt per Capita |
|--------------------|----------------------|----------------------|--------------------------|---------------|--|--------------------------------|-----------------------|------------------------|
| 2019 | \$ 39,913,525 | \$ - | \$ 212,258 | \$ 40,125,783 | \$ Unavailable | Unavailable | Unavailable | \$ Unavailable |
| 2018 | 41,199,804 | - | - | 41,199,804 | 4,715,257 | 0.87% | 124,718 | 330.34 |
| 2017 | 42,461,083 | - | - | 42,461,083 | 4,592,002 | 0.92% | 124,933 | 339.87 |
| 2016 | 40,325,753 | - | - | 40,325,753 | 4,554,626 | 0.89% | 79,032 | 510.25 |
| 2015 | 41,326,563 | - | - | 41,326,563 | 4,424,652 | 0.93% | 78,887 | 523.87 |
| 2014 | 42,313,408 | - | - | 42,313,408 | 4,350,346 | 0.97% | 78,741 | 537.37 |
| 2013 | 42,420,688 | 29,320,000 | - | 71,740,688 | 4,332,788 | 1.66% | 78,596 | 912.78 |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

(1) Total for Member Localities - from Table 13

Table 10

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
REVENUE BOND COVERAGE**

Last Ten Fiscal Years

| Fiscal Year | Operating Revenues | Operating and Capital Expenses (1) | Available Unrestricted Net Position | Net Revenue Available for Debt Service | Principal | Interest | Payments to Reserves | Total (2) | Bond Coverage |
|--------------------|---------------------------|---|--|---|------------------|-----------------|-----------------------------|------------------|----------------------|
| 2019 | \$ 14,559,488 | \$ 12,523,064 | \$ 9,279,127 | \$ 11,315,551 | \$ 965,000 | \$ 1,586,071 | \$ - | \$ 2,551,071 | 4.44 |
| 2018 | 14,561,267 | 12,489,155 | 7,244,248 | 9,316,360 | 940,000 | 1,610,339 | - | 2,550,339 | 3.65 |
| 2017 | 13,609,619 | 12,156,061 | 5,853,677 | 7,307,235 | 920,000 | 1,639,326 | - | 2,559,326 | 2.86 |
| 2016 | 13,552,970 | 12,229,022 | 4,483,798 | 5,807,746 | 895,000 | 1,792,138 | - | 2,687,138 | 2.16 |
| 2015 | 13,004,465 | 12,330,423 | 3,077,973 | 3,752,015 | 880,000 | 1,809,675 | - | 2,689,675 | 1.39 |
| 2014 | 12,266,456 | 12,200,390 | 1,393,421 | 1,459,487 | - | 1,817,030 | - | 1,817,030 | 0.80 |
| 2013 | 12,594,951 | 11,735,362 | 292,371 | 1,151,960 | - | - | - | - | N/A |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

(1) Actual operating expenses, exclusive of depreciation.

(2) There were no bond payments due in FY2013 because all interest was capitalized during construction.

TABLE 11

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
INMATE BOOKING STATISTICS**

Last Ten Fiscal Years

| Jurisdiction | Fiscal Year | Average Daily Population | Average Length of Stay (Days) | Average Monthly Bookings |
|---------------------|--------------------|---------------------------------|--------------------------------------|---------------------------------|
| Brunswick | 2019 | 126 | 34 | 55 |
| | 2018 | 137 | 43 | 54 |
| | 2017 | 126 | 44 | 57 |
| | 2016 | 114 | 40 | 62 |
| | 2015 | 117 | 41 | 56 |
| | 2014 | 125 | 44 | 62 |
| | 2013 | 140 | 26 | 78 |
| Jurisdiction | Fiscal Year | Average Daily Population | Average Length of Stay (Days) | Average Monthly Bookings |
| Dinwiddie | 2019 | 87 | 39 | 45 |
| | 2018 | 94 | 39 | 49 |
| | 2017 | 80 | 41 | 45 |
| | 2016 | 81 | 39 | 48 |
| | 2015 | 95 | 39 | 53 |
| | 2014 | 84 | 55 | 49 |
| | 2013 | 85 | 23 | 56 |
| Jurisdiction | Fiscal Year | Average Daily Population | Average Length of Stay (Days) | Average Monthly Bookings |
| Mecklenburg | 2019 | 162 | 38 | 90 |
| | 2018 | 166 | 49 | 100 |
| | 2017 | 154 | 53 | 93 |
| | 2016 | 172 | 36 | 99 |
| | 2015 | 187 | 44 | 91 |
| | 2014 | 186 | 52 | 94 |
| | 2013 | 179 | 28 | 72 |
| Jurisdiction | Fiscal Year | Average Daily Population | Average Length of Stay (Days) | Average Monthly Bookings |
| Other | 2019 | 42 | 46 | 28 |
| | 2018 | 20 | 47 | 20 |
| | 2017 | 17 | 55 | 20 |
| | 2016 | 16 | 45 | 21 |
| | 2015 | 14 | 27 | 18 |
| | 2014 | 12 | 78 | 19 |
| | 2013 | 0 | 0 | 0 |

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 12

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
PRINCIPAL EMPLOYERS**

CURRENT YEAR AND PERIOD NINE YEARS AGO

| Brunswick County | | | Dinwiddie County | | | Mecklenburg County | | |
|-------------------------|--------------------------------------|------------------|-------------------------|------------------------------------|------------------|---------------------------|-----------------------------------|------------------|
| 2019 | | | 2019 | | | 2019 | | |
| Rank | Employer | Employees | Rank | Employer | Employees | Rank | Employer | Employees |
| 1 | Brunswick County School Board | 250 - 499 | 1 | Amazon Fulfillment Services Inc. | 1000 & over | 1 | Mecklenburg County School Board | 500 - 999 |
| 2 | Geo Corrections & Detention Inc | 250 - 499 | 2 | Wal Mart | 1000 & over | 2 | MCV Hospital | 500 - 999 |
| 3 | Southside Virginia Community College | 100 - 249 | 3 | Central State Hospital | 500 - 999 | 3 | ONE Jeanswear Group | 250 - 499 |
| 4 | Meherrin River Regional Jail | 100 - 249 | 4 | Dinwiddie County School Board | 500 - 999 | 4 | Wal Mart | 250 - 499 |
| 5 | County of Brunswick | 100 - 249 | 5 | Chaparral | 250 - 499 | 5 | Global Safety Textiles LLC | 100 - 249 |
| 6 | Hyponex Corporation | 50 - 99 | 6 | Dinwiddie Board of Supervisors | 250 - 499 | 6 | Food Lion | 100 - 249 |
| 7 | Brunswick Academy | 50 - 99 | 7 | Tindall Concrete Products | 250 - 499 | 7 | County of Mecklenburg | 100 - 249 |
| 8 | The Scotts Company | 50 - 99 | 8 | Integrity Staffing Solutions | 100 - 249 | 8 | Sentara Healthcare | 100 - 249 |
| 9 | Envoy of Lawrenceville | 50 - 99 | 9 | Humana Insurance Company | 100 - 249 | 9 | Penmac Personnel Services | 100 - 249 |
| 10 | Food Lion | 50 - 99 | 10 | Richard Bland College | 100 - 249 | 10 | Eastern Region Field Unit | 100 - 249 |
| 2010 | | | 2010 | | | 2010 | | |
| Rank | Employer | Employees | Rank | Employer | Employees | Rank | Employer | Employees |
| 1 | Brunswick County School Board | 250 - 499 | 1 | Southside Virginia Training Center | 1000 & over | 1 | Mecklenburg County School Board | 1000 & over |
| 2 | Wackenhut Corrections | 250 - 499 | 2 | Wal Mart | 500 - 999 | 2 | Community Memorial Health | 500 - 999 |
| 3 | Saint Paul's College | 250 - 499 | 3 | Central State Hospital | 500 - 999 | 3 | Jones Distribution Corp | 250 - 499 |
| 4 | Southside Virginia Community College | 250 - 499 | 4 | Dinwiddie County School Board | 500 - 999 | 4 | Peebles | 250 - 499 |
| 5 | County of Brunswick | 100 - 249 | 5 | Chaparral | 250 - 499 | 5 | Mecklenburg Correctional Center | 250 - 499 |
| 6 | Mr. Bults Inc. | 100 - 249 | 6 | Virginia Center for Behavioral | 250 - 499 | 6 | Wal Mart | 250 - 499 |
| 7 | Alphastaff Inc | 50 - 99 | 7 | County of Dinwiddie | 100 - 249 | 7 | Monroe Tree Services Division | 100 - 249 |
| 8 | Brunswick Academy | 50 - 99 | 8 | Hiram W. Davis Medical Center | 100 - 249 | 8 | County of Mecklenburg | 100 - 249 |
| 9 | Jones Electric Contractors | 50 - 99 | 9 | Tindall Concrete Products | 100 - 249 | 9 | Lake Country Area Agency on Aging | 100 - 249 |
| 10 | Home Recovery | 50 - 99 | 10 | Iluka Resources | 100 - 249 | 10 | Global Safety Textiles LLC | 100 - 249 |

SOURCE: Virginia Employment Commission

TABLE 13

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
 DEMOGRAPHIC STATISTICS FOR MEMBER JURISDICTIONS

LAST TEN CALENDAR YEARS

| Calendar Year | Brunswick County | | | | Dinwiddie County (1) | | | | Mecklenburg County | | | |
|---------------|------------------|---------------------------------------|-----------------------------------|-------------------|----------------------|---------------------------------------|-----------------------------------|-------------------|--------------------|---------------------------------------|-----------------------------------|-------------------|
| | Population | Annual Personal Income (in thousands) | Annual Per Capita Personal Income | Unemployment Rate | Population | Annual Personal Income (in thousands) | Annual Per Capita Personal Income | Unemployment Rate | Population | Annual Personal Income (in thousands) | Annual Per Capita Personal Income | Unemployment Rate |
| 2018 | 16,244 | \$ 526,822 | \$ 32,432 | 4.90% | 77,788 | \$ 3,083,304 | \$ 39,637 | 3.50% | 30,686 | \$ 1,105,131 | \$ 36,014 | 4.10% |
| 2017 | 16,243 | \$ 535,329 | \$ 32,958 | 5.40% | 77,798 | \$ 2,984,012 | \$ 38,356 | 3.90% | 30,892 | \$ 1,072,661 | \$ 34,723 | 5.00% |
| 2016 | 17,289 | \$ 523,182 | \$ 31,332 | 6.00% | 28,926 | \$ 2,970,447 | \$ 38,010 | 4.80% | 32,817 | \$ 1,060,997 | \$ 34,137 | 5.60% |
| 2015 | 17,313 | \$ 510,317 | \$ 30,932 | 6.80% | 28,772 | \$ 2,880,056 | \$ 36,787 | 5.30% | 32,802 | \$ 1,034,279 | \$ 33,158 | 6.20% |
| 2014 | 17,337 | \$ 491,368 | \$ 29,496 | 8.20% | 28,617 | \$ 2,852,265 | \$ 36,461 | 6.40% | 32,787 | \$ 1,006,713 | \$ 32,126 | 7.70% |
| 2013 | 17,361 | \$ 483,910 | \$ 28,360 | 9.10% | 28,463 | \$ 2,836,555 | \$ 36,470 | 5.90% | 32,772 | \$ 1,012,323 | \$ 31,876 | 9.20% |
| 2012 | 17,385 | \$ 478,049 | \$ 27,857 | 10.70% | 28,309 | \$ 2,794,646 | \$ 36,008 | 6.80% | 32,757 | \$ 983,056 | \$ 30,175 | 10.10% |
| 2011 | 17,410 | \$ 470,821 | \$ 27,021 | 10.70% | 28,155 | \$ 2,665,303 | \$ 34,188 | 7.20% | 32,742 | \$ 954,645 | \$ 29,194 | 11.00% |
| 2010 | 17,434 | \$ 473,514 | \$ 27,047 | 12.10% | 28,001 | \$ 2,617,602 | \$ 33,740 | 8.00% | 32,727 | \$ 942,815 | \$ 28,731 | 11.70% |
| 2009 | 17,507 | \$ 466,284 | \$ 26,209 | 11.60% | 27,888 | \$ 2,585,531 | \$ 33,404 | 8.90% | 32,815 | \$ 930,829 | \$ 28,275 | 11.50% |

(1) According to the U.S. Census Bureau, Dinwiddie is part of a Virginia combination area which includes Dinwiddie, Colonial Heights, and Petersburg. Separate estimates for Dinwiddie are not available.

SOURCE: Provided by US Census Bureau, LAUS Unit, and Bureau of Labor Statistics.

TABLE 14

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
NUMBER OF EMPLOYEES AND CAPITAL ASSET STATISTICS
BY IDENTIFIABLE ACTIVITY**

Last Ten Fiscal Years

| | Number of Employees | | | | | | |
|------------------------|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Civilians | 21 | 21 | 16 | 15 | 15 | 14 | 16 |
| Sworn Officers | 125 | 123 | 119 | 130 | 138 | 147 | 143 |
| Total Employees | 146 | 144 | 135 | 145 | 153 | 161 | 159 |

| | Number of Capital Assets | | | | | | |
|-----------------------------|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Vehicles | 27 | 25 | 25 | 23 | 21 | 21 | 21 |
| Housing Units ¹ | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| Total Capital Assets | 51 | 49 | 49 | 47 | 45 | 45 | 45 |

¹ 15 Housing Units are contained within one building at the Alberta facility
9 Housing Units are contained within one building at the Boydton facility

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 15

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY
SCHEDULE OF INSURANCE IN FORCE**

As of June 30, 2019

| Insurance Coverage | Insurance Company | Expiration Date | Coverage Limit | Deductible |
|---|--|------------------------|-----------------------|-------------------|
| Building & Personal Property | VACO | 7/1/2019 | As scheduled | \$ 1,000 |
| Electronic Data Processing Equipment | VACO | 7/1/2019 | \$ 100,000 | \$ 1,000 |
| Earthquake/Flood | VACO | 7/1/2019 | As scheduled | \$ 25,000 |
| Business Auto | VACO | 7/1/2019 | \$ 2,000,000 | \$ 250 |
| Schedule Equipment | VACO | 7/1/2019 | As scheduled | \$ 1,000 |
| Boiler and Machinery | VACO | 7/1/2019 | As scheduled | \$ 1,000 |
| Business Interruption and Extra Expense | VACO | 7/1/2019 | \$ 100,000 | N/A |
| Workers Compensation | VACO | 7/1/2019 | \$ 1,000,000 | N/A |
| Faithful Performance of Duty | VACO | 7/1/2019 | \$ 250,000 | \$ 250 |
| Line of Duty | VACO | 7/1/2019 | Statutory Limit | N/A |
| Bond (1) | Division of Risk Management | | | |
| Constitutional Officer (1) | Commonwealth of Virginia- Division of Risk Management | 7/1/2019 | \$ 1,000,000 | \$ 1,000 |

N/A - Not Applicable

(1) - Provided by the Commonwealth of Virginia



**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
Meherrin River Regional Jail Authority
Alberta, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Meherrin River Regional Jail Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements and have issued our report thereon dated November 4, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Robinson Faren Cox Associates

Charlottesville, Virginia

November 4, 2019