

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018**

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SUFFOLK, VIRGINIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

Prepared by the Administrative Division

William C. Smith, Superintendent

Karen Hatfield, Fiscal Officer

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Comprehensive Annual Financial Report Year Ended June 30, 2018

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY BOARD OF DIRECTORS

City of Suffolk:

- Everett "E.C." Harris, Sheriff, Suffolk
WTRJ Authority Personnel Committee
- Michael D. Duman, City Council Member, Suffolk
WTRJ Authority **Chairman**, Personnel and Finance Committees
- Lue R. Ward, City Council Member, Suffolk
WTRJ Authority Personnel Committee
- Tealan D. Hansen, Director of Finance, Suffolk (Alternate)
WTRJ Authority Finance Committee

Isle of Wight:

- James R. Clarke, Interim Sheriff, Isle of Wight
WTRJ Authority Personnel Committee
- William M. McCarty, Board of Supervisors, Isle of Wight
WTRJ Authority Personnel Committee
- Rudolph Jefferson, Board of Supervisors, Isle of Wight
WTRJ Authority **Secretary**, Personnel and Finance Committees
- Randy R. Keaton, Isle of Wight (Alternate)
WTRJ Authority Finance Committee

Franklin:

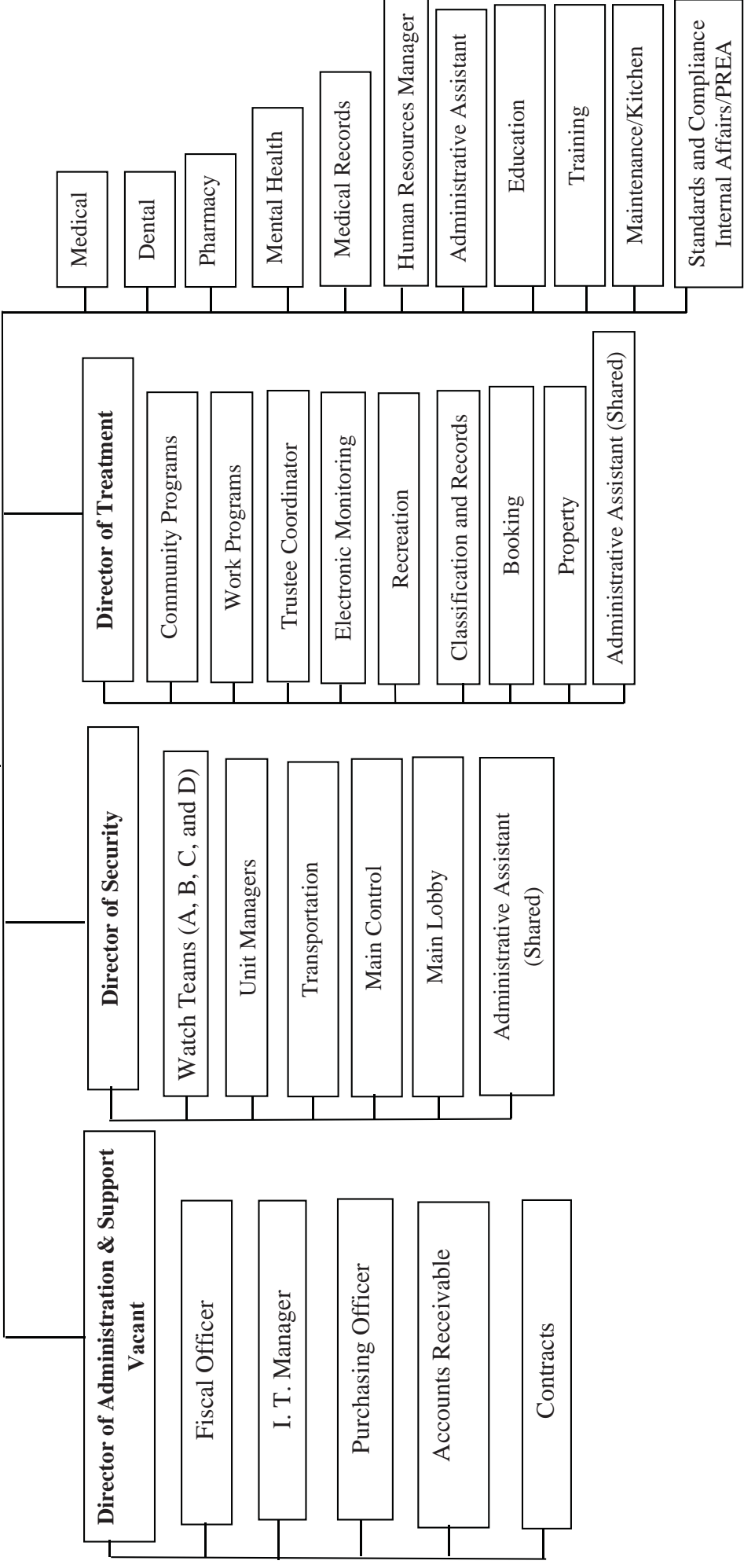
- Barry W. Cheatham, Vice Mayor, Franklin, City Council Member
WTRJ Authority **Vice Chairman**, Personnel Committee
- John B. Stutts, Sheriff (Southampton County), Franklin
WTRJ Authority Personnel Committee
- Linwood W. Johnson, City Council Member, Franklin
WTRJ Authority Personnel Committee
- Robert R. Martin, City Manager, Franklin (Alternate)
WTRJ Authority Finance Committee

Western Tidewater Regional Jail Authority

Superintendent

Executive Assistant

Deputy Superintendent



Principal Officials

First Name	Last Name	Rank/Title	Team
William C.	Smith	Colonel - Superintendent	Admin
Ernest L.	Bower	Lt Colonel - Deputy Supt.	Admin
Marissa A.	Dickens	Executive Assistant	Admin
Laura B.	Conway	Human Resources Manager	Admin
Karen	Hatfield	Fiscal Officer	Admin
Dorothy	Wilford	Payroll Officer	Admin
Karla	Sraver	Purchasing Officer	Admin
Stevie L.	Ezzell	Lieutenant	Admin
Alfred R.	Lenyoun	Captain	Security
Joshua L.	Bower	Lieutenant	A Team
Anthony K.	Perry	Lieutenant	B Team
Tamitia L.	Wiggins	Lieutenant	C Team
Charles F.	Porter	Lieutenant	C Team
Patricia	Wilson	Lieutenant	D Team
Hilbert L.	Twine Jr.	Lieutenant	Training
Grady	Massenburg III	Lieutenant	Transportation
Tanya D.	Blair	Captain	Treatment
Leon	Dupree	Lieutenant	Booking
John L.	Gotterup	Lieutenant	Classification
Michael W.	Whalen	Lieutenant	Work Release
Ronnie E.	Sharpe	Education Director	Education
Doris B.	Jacobs	Registered Nurse	Health Services Admin
Karen L.	Modesitt	Licensed Practical Nurse	Director of Nursing



WESTERN TIDEWATER REGIONAL JAIL

2402 Godwin Blvd., Suffolk, VA 23434 ■ (757) 539-3119 ■ Fax (757) 539-6409

Serving:
County of Isle of Wight
City of Franklin
City of Suffolk

Superintendent
William C. Smith

November 5, 2018

Members of the Board Western Tidewater Regional Jail

The Comprehensive Annual Financial Report (CAFR) of the Western Tidewater Regional Jail Authority (Authority) for the fiscal year ended June 30, 2018 is submitted herewith in accordance with applicable requirements, including the provisions of the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts, Commonwealth of Virginia as revised July 2018. This report was prepared by the Authority's Administration Division in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the Authority. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

GASB requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the independent auditor's report in the financial section.

Profile of the Government

The Authority is an intergovernmental joint venture created by the three jurisdictions of the City of Suffolk, City of Franklin, and Isle of Wight County. The Authority is considered a stand-alone governmental entity for financial reporting purposes. The financial reporting entity includes two enterprise funds and three agency funds. The Authority is designed and operates to accommodate all types of inmates from the member jurisdictions including those with special needs and those who require special management. The jail also has the ability to house a limited number of juvenile detainees. None of the participating jurisdictions have their own jails.

Profile of the Government: (Continued)

In January 2014, the Authority updated its contract with the U.S. Marshals Service (USMS) to house Federal inmates awaiting trial or awaiting final assignment after sentencing. To prevent charges for inmate transportation and off-site security watches, the Marshals Service must maintain a population of 75 inmates. We currently house between 160 and 200 USMS inmates. In April 2017, an amendment to the contract was signed which allowed WTRJ to reimburse for any hospital watches exceeding a 24 hour period.

Information Useful in Assessing Economic Condition

The Authority's financial and economic outlook is stable. Effective with the contract signed in January 2014, the rate per day for federal inmates dropped from \$65.00 to \$55.00 and other concessions were made to keep the revenue stream intact. We also have an electronic monitoring program and a work release program that generate revenue for the Authority.

The Authority builds an incremental budget based upon extrapolating actuals for the remainder of the current year's actual numbers which are then adjusted for known events or plans or by the Consumer Price Index. The preliminary budget is discussed by the Board of Directors and then finally adopted as approved. The budget shortfall from expenses was reduced by revenues from the Federal Government, the State of Virginia, and Inmate programs such as Work Release, Commissions, Room & Board and Medical Copays from the inmates. Any additional revenue required is provided by the participating jurisdictions at a proportional rate based on the inmate population from the previous three fiscal years. The Authority receives payments in July and January for 50% of the annual jurisdictions' responsibilities. The Board voted on and approved a measure to prevent short payments or late payments from the jurisdictions that allow the use of fines, penalties, and interest as well as the ability of the Authority to refuse to accept any future inmates if the situation warrants such drastic measures. The Authority implemented a Capital Budget and Capital Improvement Plan.

Operating Revenues exceeded budget by \$1.392 million or 9.11% while Expenses exceeded budget by \$504k or 3.5%. After negating non-cash items such as depreciation and gain or loss on disposals of assets, the Authority finished the year with a positive variance of \$1.715 million. Most categories or groupings of both revenues and expenses came in at under 10% variance except for:

- | | |
|---|--------------------|
| 1. Federal Revenues (for United States Marshals Service) | 47.1% over budget |
| 2. Inmate Revenues (Room & Board, Work Release Revenues, Commissions from various inmate programs) | 58.7% over budget |
| 3. Office Expenses (overage fees for use of copiers, upgraded the postage machine and began remodel of Administration area) | 24.72% over budget |

Information Useful in Assessing Economic Condition: (Continued)

This was the Authority's fourth year of using a line item budget in the accounting system, which gave management better control of expenditures and allowed us to better utilize our capital through programs like bulk purchasing, alternate vendors, and better cash management. For FY2018, the entire budget was built using individual line items at actual adjusted for CPI or known adjustments (actual insurance rates, contracted values, etc.). A Capital Budget was created in FY2018 and utilized.

Items of Note:

1. We have implemented a number of auxiliary programs and services including:
 - a. A Guardian RFID system that tracks an inmate anywhere in the facility via a wrist band that they wear.
 - b. A Telemedicine device which is a fully operational video conferencing type system where you have several instruments that can be plugged in such as a heart monitor, blood pressure cuff, a high definition camera, etc. Doctors and/or psychiatrists can utilize this outside of the facility.
 - c. A Tablet program that includes educational, informational, recreational, and entertainment applications as well as telephone calling and video visitation.
2. We continue to have a strong working relationship with the United States Marshals Service (USMS) and the Bureau of Prisons (BOP). We expect this relationship to continue to improve into the future.

Major Initiatives - Outside Compliance Audits

The Commonwealth of Virginia Board of Corrections continued to grant unconditional certification to the Authority following its triennial inspection in January 2017. The Authority was awarded recognition for 100% compliance with all applicable standards. This certification was originally granted in 1993.

Certification inspections are conducted every three years and unannounced Life, Health and Safety (LHS) inspections are conducted annually. The last Life, Health and Safety inspection, which was part of the triennial inspection back in January 2017, was conducted and the Authority was in 100% compliance with all applicable standards.

The United States Marshals Service continued to grant unconditional certification to the Authority following its annual inspections of the facility with 100% compliance. The last USMS audit was completed in August 2017.

The last Federal Bureau of Prisons inspection was conducted in April 2016 and the Authority was in 100% compliance with applicable standards.

Major Initiatives - Outside Compliance Audits (Continued)

The LIDS Compliance audit was conducted in June 2016 with 100% compliance.

The PREA audit was completed in September 2015 with 100% compliance.

The Department of Juvenile Justice completed their audit in August 2016 with 100% compliance.

As part of our medical program, we have continued to maintain our Pharmacy Registration from the Board of Pharmacy for the State of Virginia.

Major Initiatives Inside Programs to Reduce Recidivism

In our continuing efforts to reduce recidivism and to help our inmates successfully transition to being a productive member of society, we offer the following programs with the number of participants through our Education Department who successfully completed those programs for the last Fiscal Year: 2017 - 2018

Special Education 20 (Teaching individuals with IEP's or Special Needs)

Transition 8 (Teaching inmates not fitting normal criteria; for example, those with a low reading ability)

General Education 65 (Earned GED's 11)

Career Education 92 (Focuses on Careers, Health, Interviewing process, History, etc.)

Career Readiness Certificate 5 (Preparing inmates for Workforce Skills)

Alcoholics Anonymous 83 (Focuses on recovery and detoxification)

Substance abuse 187 (Provide treatment methods to help overcome addictive symptoms)

Anger Management 168 (Understanding life triggers and how to deal with them)

Seeking Safety 75 (Understanding trauma and how it has affected their behavior & how to cope with it)

Parenting 166 (Teaches inmates the proper way to motivate and discipline youthful children)

Females Building Bridges 71 (Reconnecting mother and child through recorded readings)

Women Empowerment Workshop 62 (Helping women to believe in themselves - decision making)

Building Resilience in the Community "BRC" 40 (Building Self Esteem and Fortitude)

Major Initiatives Inside Programs to Reduce Recidivism (Continued)

Human Trafficking 30 (Provide training against sexual assault and kidnapping)

Re-Entry Suffolk Library 144 (Providing information to aide in job searches and career paths)

Accounting System

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounting system of the Authority is organized and operated on an enterprise fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, fund balances, revenues and expenditures. Additional information concerning the Authority's accounting policies is provided in Note 2 of the Notes to Financial Statements.

Enterprise Fund Operations

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, associated with its activities are included on its Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned, measurable and available. Expenses are recognized when incurred. Operating revenues and expenses are presented in a manner similar to a private business, where costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

WTRJ continues to maintain an agreement with Adventis Inc. to use their Pay-My-Jailor service. This service notifies the released inmate of money due the jail by letter and also provides convenient payment options and locations. The service doesn't cost the jail anything but the company does add a twenty five dollar fee to the balance owed to the jail. WTRJ has seen some positive results from this program and looks forward to continuing the relationship. This program continues to be a productive way of collecting funds from released inmates.

Independent Audit

Authority Bylaws require that the financial statements of the Authority be audited annually by a certified public accountant selected by the Authority's Board. An annual audit of the book of accounts, financial records, and transactions of all funds of the Authority has been performed by Robinson, Farmer, Cox, Associates for the fiscal year ended June 30, 2018.

The auditor's report, which includes their opinion on the financial statements of the Authority, is presented in this report on pages 15-17.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Western Tidewater Regional Jail Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the third consecutive year that the Authority has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This report reflects the strong financial policies enacted by the Authority's Board and the active participation of the Board's Finance Committee. The result is an Authority in sound financial position. The Board's support and cooperation in planning and conducting the financial operations of the Authority are appreciated and acknowledged.

Respectfully Submitted



William C. Smith, CJM
Superintendent



Karen Hatfield
Fiscal Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Western Tidewater Regional Jail
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principles

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

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2018, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 19-23 and 77-83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Tidewater Regional Jail Authority's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 1, 2018, on our consideration of Western Tidewater 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 Western Tidewater 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 Western Tidewater Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Faxon, Cox Associates
Charlottesville, Virginia
November 1, 2018

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

The following discussion and analysis of Western Tidewater Regional Jail Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position decreased by \$200 thousand or 4.7% during the year ended June 30, 2018 as compared to an increase of approximately \$81 thousand or 1.8% during the year ended June 30, 2017. However, the \$200 thousand decrease includes a restatement of \$625 thousand for implementation of GASB 75. Without the restatement, net position increased by \$505 thousand.
- Operating revenues showed an increase of 4.5% during the year compared to a decrease of 1.3% in 2017, while operating expenses reflected a modest increase of 1.5% over the prior year, slightly higher than the 1.2% increase in fiscal year 2017.
- The Authority's long-term debt decreased by \$607,496 due to the payment of principal due on bonds.

USING THIS ANNUAL REPORT

The annual report consists of Management's Discussion and Analysis and the basic financial statements including notes that explain in more detail some of the information in the financial statements. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements as well as management's examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority's budget and other management tools were used for this analysis.

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer both short- and long-range financial information about its activities. The Statement of Net Position includes the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluation of the capital structure and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses and Change in Net Position contains all of the current year's revenues and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its per diem charges and other revenues, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the cash receipts and cash payments made by the Authority during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and noncapital financing activities, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets. The Notes to Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS - ENTERPRISE FUNDS

The Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position report information about the Authority's activities in a way that will help to determine the financial health of the Authority. These two statements report the net position of the Authority and changes to it. The difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position is one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population and service area growth and new or changed legislation.

The Authority's net position decreased from last year by approximately \$200 thousand. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities:

	<u>2018</u>	<u>2017</u>	<u>Amount Change</u>	<u>% Change</u>
Current and other assets	\$ 3,898,565	\$ 2,932,626	\$ 965,939	32.9%
Capital assets	<u>10,706,846</u>	<u>12,280,746</u>	<u>(1,573,900)</u>	<u>-12.8%</u>
Total assets	<u>\$ 14,605,411</u>	<u>\$ 15,213,372</u>	<u>\$ (607,961)</u>	<u>-4.0%</u>
Deferred outflows of resources	<u>\$ 1,007,588</u>	<u>\$ 1,560,720</u>	<u>\$ (553,132)</u>	<u>100.0%</u>
Long-term liabilities	\$ 9,185,026	\$ 10,936,162	\$ (1,751,136)	-16.0%
Current liabilities	<u>1,496,595</u>	<u>1,365,856</u>	<u>130,739</u>	<u>9.6%</u>
Total liabilities	<u>\$ 10,681,621</u>	<u>\$ 12,302,018</u>	<u>\$ (1,620,397)</u>	<u>-13.2%</u>
Deferred inflows of resources	<u>\$ 848,089</u>	<u>\$ 188,852</u>	<u>\$ 659,237</u>	<u>100.00%</u>
Net position:				
Net investment in capital assets	\$ 2,705,685	\$ 3,672,089	\$ (966,404)	-26.3%
Restricted	51,101	59,716	(8,615)	-14.4%
Unrestricted	<u>1,326,503</u>	<u>551,417</u>	<u>775,086</u>	<u>140.6%</u>
Total net position	<u><u>\$ 4,083,289</u></u>	<u><u>\$ 4,283,222</u></u>	<u><u>\$ (199,933)</u></u>	<u><u>-4.7%</u></u>

Restricted net position includes the balance of canteen commissions. The use of canteen funds is restricted to the benefit of inmates. Expenses paid with these funds include a portion of salaries and related benefits for the commissary officer and other related staff, canteen food and supplies, educational supplies, cable, and other items benefiting the inmates. A significant amount of canteen funds were spent on refurbishing the basketball courts for inmates during fiscal year 2017.

FINANCIAL ANALYSIS - ENTERPRISE FUNDS: (CONTINUED)

The changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Change in Net Position:

	<u>2018</u>	<u>2017</u>	<u>Amount Change</u>	<u>% Change</u>
Operating revenues:				
Commonwealth	\$ 6,159,258	\$ 6,140,870	\$ 18,388	0.3%
Federal	3,534,780	2,946,669	588,111	20.0%
City of Suffolk	4,364,052	4,364,037	15	0.0%
City of Franklin	921,983	921,980	3	0.0%
Isle of Wight County	860,517	860,514	3	0.0%
Telephone commissions	473,373	387,110	86,263	22.3%
Other	737,746	693,164	44,582	6.4%
Total operating revenues	<u>\$ 17,051,709</u>	<u>\$ 16,314,344</u>	<u>\$ 737,365</u>	<u>4.5%</u>
Operating expenses:				
Personnel costs	\$ 7,623,342	\$ 7,221,586	\$ 401,756	5.6%
Fringe benefits and payroll taxes	2,526,397	2,891,143	(364,746)	-12.6%
Medical supplies and services	1,574,740	1,190,674	384,066	32.3%
Utilities	755,120	711,616	43,504	6.1%
Contractual services	1,463,799	1,585,837	(122,038)	-7.7%
Depreciation	1,724,866	1,801,747	(76,881)	-4.3%
Other	744,555	769,788	(25,233)	-3.3%
Total operating expenses	<u>\$ 16,412,819</u>	<u>\$ 16,172,391</u>	<u>\$ 240,428</u>	<u>1.5%</u>
Net operating income (loss)	<u>\$ 638,890</u>	<u>\$ 141,953</u>	<u>\$ 496,937</u>	<u>350.1%</u>
Nonoperating revenues (expenses):				
Interest income	\$ 15,592	\$ 7,201	\$ 8,391	116.5%
Rental income	9,000	9,000	0	0.0%
Interest expense	(238,415)	(238,802)	387	-0.2%
Nonoperating revenues (expenses), net	<u>\$ (213,823)</u>	<u>\$ (222,601)</u>	<u>\$ 8,778</u>	<u>-3.9%</u>
Change in net position	\$ 425,067	\$ (80,648)	\$ 505,715	-627.1%
Net position, beginning of year	4,283,222	4,363,870	(80,648)	-1.8%
Restatement	<u>(625,000)</u>	<u>-</u>	<u>(625,000)</u>	
Net position, end of year	<u>\$ 4,083,289</u>	<u>\$ 4,283,222</u>	<u>\$ (199,933)</u>	<u>-4.7%</u>

Operating revenues increased by 4.5% in 2018 compared to a 1.3% decrease in 2017, mainly attributed to an increase of \$588,111 or 20.0% in federal revenues. In fiscal year 2016, there was a \$235,175 or 3.7% decrease in revenues from the Commonwealth. Member revenues, determined during the budget process and based on a running average of housing numbers for the prior three years, remained constant in 2018.

Operating expenses increased by 1.5% in 2018 compared to the 1.2% increase in 2017. Although there was an increase in personnel costs, it was largely offset by fringe benefits reflecting the implementation of GASB 75. Medical supplies and services increased by \$384,066 compared to a decrease of \$349,721 in 2017. Other changes were modest. Energy upgrades completed in fiscal year 2016 continues to show savings on utilities expenses, as projected.

FINANCIAL ANALYSIS - ENTERPRISE FUNDS: (CONTINUED)

A summary of changes in cash flows is represented in the below condensed statement of cash flows:

	<u>2018</u>	<u>2017</u>	<u>Amount Change</u>	<u>% Change</u>
Cash flows provided by (used for):				
Operating activities	\$ 1,680,512	\$ 1,736,574	\$ (56,062)	-3.2%
Noncapital and related financing activities	9,000	9,000	-	100.0%
Capital and related financing activities	(983,723)	(1,349,793)	366,070	-27.1%
Investing activities	<u>15,592</u>	<u>7,201</u>	<u>8,391</u>	<u>116.5%</u>
Net increase (decrease) in cash and cash equivalents	\$ 721,381	\$ 402,982	\$ 318,399	79.0%
Cash and cash equivalents, beginning of year	<u>2,040,525</u>	<u>1,637,543</u>	<u>402,982</u>	<u>24.6%</u>
Cash and cash equivalents, end of year	<u>\$ 2,761,906</u>	<u>\$ 2,040,525</u>	<u>\$ 721,381</u>	<u>35.4%</u>

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. Similar to 2016 and 2017, there was a positive flow of cash from operating activities but a 3.2% decrease from the 2017 amounts. This is dependent on the budget in order to fund debt service and operating requirements.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. There was a decrease of \$366,070 in cash spent on capital and related financing activities this year, due to less capital activity. Debt activity was consistent with the prior year.

Cash flows from investing activities include interest and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the Authority had \$10.7 million invested in capital assets comprised of the land, building and improvements, land improvements, machinery, equipment, and office equipment of the regional jail. The net change of \$1,573,900 represents equipment and vehicles capitalized during the year offset by depreciation expense of \$1,724,866.

The following table summarizes the Authority's capital assets, net of accumulated depreciation:

	<u>2018</u>	<u>2017</u>
Land	\$ 37,455	\$ 37,455
Building and improvements	8,049,908	9,426,581
Land improvements	126,311	151,573
Machinery and equipment	2,322,300	2,440,689
Office furniture	<u>170,872</u>	<u>224,448</u>
Net capital assets	<u>\$ 10,706,846</u>	<u>\$ 12,280,746</u>

For additional information related to capital assets, see Note 5.

CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

Capital Financing Debt

At year-end, the Authority had \$3.5 million in revenue bonds outstanding and \$4.5 million outstanding related to the new energy performance contract bond. No new financing was obtained during the year. For additional analysis related to long-term debt activities, see Note 8.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information regarding the Authority, contact the Director of Administration at 2402 Godwin Boulevard, Suffolk, Virginia 23434.

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Basic Financial Statements

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Net Position
As of June 30, 2018

	Operating Fund	Canteen Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,678,523	\$ 83,383	\$ 2,761,906
Accounts receivable	38,306	45,154	83,460
Internal balances	49,228	(49,228)	-
Due from other governmental units	1,007,604	-	1,007,604
Prepays	45,595	-	45,595
Total current assets	<u>\$ 3,819,256</u>	<u>\$ 79,309</u>	<u>\$ 3,898,565</u>
Noncurrent Assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 37,455	\$ -	\$ 37,455
Land improvements	126,311	-	126,311
Building and improvements	8,049,908	-	8,049,908
Machinery and equipment	2,322,300	-	2,322,300
Office furniture	170,872	-	170,872
Total capital assets	<u>\$ 10,706,846</u>	<u>\$ -</u>	<u>\$ 10,706,846</u>
Total noncurrent assets	<u>\$ 10,706,846</u>	<u>\$ -</u>	<u>\$ 10,706,846</u>
Total assets	<u>\$ 14,526,102</u>	<u>\$ 79,309</u>	<u>\$ 14,605,411</u>
DEFERRED OUTFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 965,346	\$ -	\$ 965,346
Items related to measurement of net OPEB liability	42,242	-	42,242
Total deferred outflows of resources	<u>\$ 1,007,588</u>	<u>\$ -</u>	<u>\$ 1,007,588</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 393,933	\$ 28,208	\$ 422,141
Accrued liabilities	7,636	-	7,636
Accrued interest payable	106,959	-	106,959
Long-term liabilities, current portion	688,526	-	688,526
Unearned revenue	271,333	-	271,333
Total current liabilities	<u>\$ 1,468,387</u>	<u>\$ 28,208</u>	<u>\$ 1,496,595</u>
Noncurrent Liabilities:			
Long-term liabilities, net of current portion	<u>\$ 9,185,026</u>	<u>\$ -</u>	<u>\$ 9,185,026</u>
Total noncurrent liabilities	<u>\$ 9,185,026</u>	<u>\$ -</u>	<u>\$ 9,185,026</u>
Total liabilities	<u>\$ 10,653,413</u>	<u>\$ 28,208</u>	<u>\$ 10,681,621</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	\$ 784,089	\$ -	\$ 784,089
Items related to measurement of net OPEB liability	64,000	-	64,000
Total deferred inflows of resources	<u>\$ 848,089</u>	<u>\$ -</u>	<u>\$ 848,089</u>
NET POSITION			
Net investment in capital assets	\$ 2,705,685	\$ -	\$ 2,705,685
Restricted for inmates	-	51,101	51,101
Unrestricted	1,326,503	-	1,326,503
Total net position	<u>\$ 4,032,188</u>	<u>\$ 51,101</u>	<u>\$ 4,083,289</u>

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2018

	Operating Fund	Canteen Fund	Total
Operating Revenues:			
Commonwealth	\$ 6,159,258	\$ -	\$ 6,159,258
Federal	3,534,780	-	3,534,780
City of Suffolk	4,364,052	-	4,364,052
City of Franklin	921,983	-	921,983
Isle of Wight County	860,517	-	860,517
Telephone commissions	473,373	-	473,373
Room and board	64,248	-	64,248
Work release and weekenders	185,699	-	185,699
Canteen commissions	-	176,115	176,115
Miscellaneous	311,684	-	311,684
Total operating revenues	\$ 16,875,594	\$ 176,115	\$ 17,051,709
Operating Expenses:			
Personnel costs	\$ 7,539,069	\$ 84,273	\$ 7,623,342
Fringe benefits	1,937,724	23,660	1,961,384
Payroll taxes	558,692	6,321	565,013
Medical supplies and services	1,574,740	-	1,574,740
Utilities	755,120	-	755,120
Repairs and maintenance	202,396	-	202,396
Insurance	22,347	-	22,347
Contractual services	1,455,390	8,409	1,463,799
Vehicle expenses	66,223	-	66,223
Administrative	188,633	-	188,633
Inmate supplies	80,050	22,395	102,445
Inmate support	-	39,672	39,672
Officer expenses	100,165	-	100,165
Miscellaneous	22,674	-	22,674
Depreciation	1,724,866	-	1,724,866
Total operating expenses	\$ 16,228,089	\$ 184,730	\$ 16,412,819
Net operating income (loss)	\$ 647,505	\$ (8,615)	\$ 638,890
Nonoperating Revenues (Expenses):			
Interest income	\$ 15,592	\$ -	\$ 15,592
Rental income	9,000	-	9,000
Interest expense	(238,415)	-	(238,415)
Net nonoperating revenues (expenses)	\$ (213,823)	\$ -	\$ (213,823)
Change in net position	\$ 433,682	\$ (8,615)	\$ 425,067
Net position, beginning of year	\$ 4,223,506	\$ 59,716	\$ 4,283,222
Restatement	\$ (625,000)	\$ -	\$ (625,000)
Net position, beginning of year, as restated	\$ 3,598,506	\$ 59,716	\$ 3,658,222
Net position, end of year	\$ 4,032,188	\$ 51,101	\$ 4,083,289

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2018

	Operating Fund	Canteen Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 16,328,624	\$ 228,455	\$ 16,557,079
Other operating revenue	311,684	-	311,684
Payments to suppliers	(4,418,327)	(71,608)	(4,489,935)
Payments to and for employees	(10,025,370)	(107,933)	(10,133,303)
Payments to agencies	(558,692)	(6,321)	(565,013)
Total cash flows provided by (used for) operating activities	\$ 1,637,919	\$ 42,593	\$ 1,680,512
Cash flows from noncapital and related financing activities:			
Rental income	\$ 9,000	\$ -	\$ 9,000
Total cash flows provided by (used for) noncapital and related financing activities	\$ 9,000	\$ -	\$ 9,000
Cash flows from capital and related financing activities:			
Purchase of capital assets	\$ (150,966)	\$ -	\$ (150,966)
Principal paid on long-term liabilities	(607,496)	-	(607,496)
Interest paid on long-term liabilities	(225,261)	-	(225,261)
Total cash flows provided by (used for) capital and related financing activities	\$ (983,723)	\$ -	\$ (983,723)
Cash flows from investing activities:			
Interest income	\$ 15,592	\$ -	\$ 15,592
Total cash flows provided by (used for) investing activities	\$ 15,592	\$ -	\$ 15,592
Net increase (decrease) in cash and cash equivalents	\$ 678,788	\$ 42,593	\$ 721,381
Cash and cash equivalents, beginning of year	1,999,735	40,790	2,040,525
Cash and cash equivalents, end of year	\$ 2,678,523	\$ 83,383	\$ 2,761,906
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 647,505	\$ (8,615)	\$ 638,890
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,724,866	-	1,724,866
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable	(26,797)	4,109	(22,688)
Internal balances	(48,231)	48,231	-
Due from other governmental units	(225,271)	-	(225,271)
Prepays	3,401	-	3,401
Deferred outflows of resources - pension related	595,374	-	595,374
Deferred outflows of resources - OPEB related	(6,242)	-	(6,242)
Accounts payable	46,010	(1,132)	44,878
Accrued liabilities	21	-	21
Compensated absences	(11,186)	-	(11,186)
Net pension liability	(1,696,781)	-	(1,696,781)
Net OPEB liability	(89,000)	-	(89,000)
Deferred inflows of resources - pension related	595,237	-	595,237
Deferred inflows of resources - OPEB related	64,000	-	64,000
Unearned revenue	65,013	-	65,013
Total cash flows provided by (used for) operating activities	\$ 1,637,919	\$ 42,593	\$ 1,680,512

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

FIDUCIARY FUNDS

Statement of Fiduciary Net Position

As of June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 150,085
Accounts receivable - Operating Fund	<u>3,785</u>
Total assets	<u><u>\$ 153,870</u></u>
LIABILITIES	
Accounts payable - Canteen Fund	\$ 45,154
Accounts payable - Operating Fund	6,848
Amounts held for inmate benefits	100,235
Amounts held for employee benefits	<u>1,633</u>
Total liabilities	<u><u>\$ 153,870</u></u>

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2018

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

Western Tidewater Regional Jail Authority (Authority) was created as a political subdivision of the Commonwealth of Virginia jointly by the cities of Suffolk (59.3%), Franklin (6.8%), and the County of Isle of Wight (33.9%), (Member Jurisdictions) under the Jail Authorities Act, Code of Virginia. The Authority has the responsibility to finance the acquisition, construction, equipping, and maintenance of a facility to operate for the benefit of the Member Jurisdictions; as such, it is exempt from federal and state income taxes.

In addition to the Member Jurisdictions' capital contributions of \$10.1 million based on their participation percentages, the Commonwealth of Virginia provided \$8.8 million of funding for the construction of the facility. The Member Jurisdictions each appoint three members and an alternate to the Board of Directors, which oversees the operations of the Authority.

Facility construction began in March 1991 and the Authority began accepting inmates in July 1992. A new cell block was constructed and placed into service during 2000, which increased the facility rating to 552 beds. The Authority houses prisoners from all three Member Jurisdictions, other jurisdictions and federal prisoners.

Funding for the Authority is provided by the State Compensation Board, the federal government and other jurisdictions. Operational funding surpluses are shared by Member Jurisdictions as they contributed to the construction of the project. Deficiencies are shared by Member Jurisdictions based on the inmate days utilized by each jurisdiction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Authority conform to generally accepting accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

A. Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with generally accepted accounting principles. The preparation of the Authority's financial statements is governed by the guidance of the Governmental Accounting Standards Board (GASB). These statements are prepared on an enterprise fund basis and present the Authority's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

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

A. Basis of Accounting (continued)

The various funds are summarized by type in the financial statements. The following are used by the Authority:

Enterprise Funds

The Operating Fund and the Canteen Fund comprise the Authority's Enterprise Funds. Enterprise funds, proprietary fund types, are accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, and deferred outflows and inflows of resources associated with the Authority's activities are included on its Statement of Net Position.

Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through charges to those who are provided the services. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with the Authority's principal service of operating a regional jail. The majority of operating revenues are from jail operations, but other associated miscellaneous services and charges are also included. Revenues and expenses not meeting the operating definition are reported as nonoperating. These nonoperating revenues and expenses consist mainly of interest income and expense.

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Inmate Fund, Work Release Fund, and Employee Wellness Funds comprise the Authority's Agency Funds. The Inmate and Work Release Funds account for funds held on behalf of the inmates housed at the facility and those participating in the work release program. The Employee Wellness Funds are held for the benefit of employees, funded by vending profits, competitive fundraisers, and donations and used to boost employee morale by holding Christmas parties, serving needy families during the holidays or other similar activities.

B. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

C. Cash, Cash Equivalents and Investments

All highly liquid investments with purchased maturities of three months or less are considered to be cash equivalents. Interest income is recorded when earned.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

C. Cash, Cash Equivalents and Investments: (Continued)

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. However, there are no investments at June 30, 2018.

Effective 6/10/2015, the Board of Directors adopted a resolution to the by-laws that states "in the event the minimum working capital level is required to be drawn below 10% of the operating expense levels due to an emergency or severe economic circumstances, the Authority will fund a "reserve" line item in the succeeding budgets, not to exceed 5 budget cycles or until such policy requirements are met. The minimum funding level will be 2% of the operating budget and may be adjusted higher." Also, the Authority is to maintain a 3 month reserve of expected claims for inmate health expenses. In FY18, the Authority replenished the reserve account deficit carried over from FY15, FY16, and FY17. With the reserve fund policy requirements being met, the member jurisdictions were not required to provide a 2% funding requirement as outlined in the Authority's financial policy.

D. Accounts receivable

Accounts receivable are stated at book value. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

E. Capital Assets

To the extent the Authority's capitalization threshold of \$25,000 is met, assets are capitalized and valued at historical cost or, if donated, at acquisition value on the date donated. Depreciation is calculated using the straight-line method over estimated useful lives of the assets, as follows:

Building and improvements	10-30 years
Land improvements	30 years
Machinery, equipment, and office furniture	5-15 years

The Authority capitalizes interest costs related to capital projects. Interest in the amount of \$238,415 was incurred during fiscal year 2018, none of which was capitalized.

F. Vacation and Sick Pay

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees accumulate vacation subject to certain limitations and unused vacation earned may, upon retirement, termination or death, be compensated at specified rates. Eligible employees with five or more consecutive years of vested service with the Authority, who retire or depart from service under favorable conditions, shall be paid for 25% of their sick leave balance, not to exceed a total payment of \$2,500. Management has elected to record the amount of sick time required to be paid out for all eligible employees as a liability. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the Enterprise Funds. The amount of vacation recognized is the amount earned.

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

G. Pensions

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

H. Other Postemployment Benefits (OPEB) - Group Life Insurance

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

I. 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 Authority has pension and OPEB related items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

J. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

K. Net Position Flow Assumption

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

L. Budgets and Budgetary Accounting

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

NOTE 3 - 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.

Investment Policy:

In accordance with the Code of Virginia (1950), as amended, and other applicable laws, and regulations, the Authority's investment policy (Policy) permits investments in United States government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, and mutual funds that invest exclusively in securities specifically permitted under the Policy and the State Treasurer's Local Government Investment Pool (the Virginia LGIP). At June 30, 2018, the Authority held no investments.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from Commonwealth of Virginia:	
Compensation Board	\$ 449,290
DOC medical billings	292,881
Due from Federal Government:	
US Marshals - Norfolk	261,580
Bureau of Prisons	3,850
Other local governments	<u>3</u>
Total due from other governmental units	<u><u>\$ 1,007,604</u></u>

NOTE 5 - CAPITAL ASSETS:

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

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 37,455	\$ -	\$ -	\$ 37,455
Total capital assets not being depreciated	\$ 37,455	\$ -	\$ -	\$ 37,455
Capital assets being depreciated:				
Building and improvements	\$ 30,563,416	\$ -	\$ -	\$ 30,563,416
Land improvements	757,863	-	-	757,863
Machinery and equipment	3,069,465	150,966	-	3,220,431
Office furniture	267,882	-	-	267,882
Total capital assets being depreciated	\$ 34,658,626	\$ 150,966	\$ -	\$ 34,809,592
Accumulated depreciation:				
Building and improvements	\$ 21,136,835	\$ 1,376,673	\$ -	\$ 22,513,508
Land improvements	606,290	25,262	-	631,552
Machinery and equipment	628,776	269,355	-	898,131
Office furniture	43,434	53,576	-	97,010
Total accumulated depreciation	\$ 22,415,335	\$ 1,724,866	\$ -	\$ 24,140,201
Total capital assets being depreciated, net	\$ 12,243,291	\$ (1,573,900)	\$ -	\$ 10,669,391
Net capital assets	<u>\$ 12,280,746</u>	<u>\$ (1,573,900)</u>	<u>\$ -</u>	<u>\$ 10,706,846</u>

Depreciation amounted to \$1,724,866 at June 30, 2018.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 6 - ECONOMIC DEPENDENCE:

The majority of operating revenues are received from member localities, the federal government and the Commonwealth of Virginia.

NOTE 7 - UNEARNED REVENUE:

The Authority receives a \$360,000 payment for telephone commission in February of each year. Each month, this amount is adjusted to reflect the revenue earned with a true-up of total commissions done each February. Unearned revenue related to telephone commission was \$271,333 at June 30, 2018.

NOTE 8 - CONTRACT OBLIGATIONS:

On February 1, 2016, the Authority entered into a three-year cancelable agreement with Aramark Correction Services, LLC to provide food service for the jail inmates and staff. As part of this agreement, Aramark granted the facility \$40,000 to overhaul the officer's dining area and paid \$30,000 in upfront commission on the Fresh Favorites/iCare program, which allows friends and family or the inmates to order specialty food items. The pricing structure for the new agreement decreased the per meal price from approximately \$1.10 a meal per inmate/staff for a seven hundred average daily population to \$.925 per meal. The contract terminates on January 30, 2019 with four 1 year renewal options available for extension. Per meal prices for each subsequent 12-month period are increased on each anniversary of the Effective Date by the yearly percentage change in CPI-FAH, although price increases shall be capped at 4% per year. Actual meal costs for fiscal year 2018 were \$775,396.

NOTE 9 - COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Authority accrued the liability arising from outstanding compensated absences. The Authority has outstanding vacation and compensation time pay totaling \$781,304 at June 30, 2018 and considers 10% of the balance to be a current liability.

NOTE 10 - LINE OF CREDIT:

The Authority has a line of credit with Farmers Bank. The line of credit is available up to \$500,000 with a percentage rate of .500 percentage points under the index with a floor of 3.00% or ceiling of 18.00% per annum or the maximum rate allowed by applicable law. There was no activity on the line of credit for the year ended June 30, 2018.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 11 - LONG-TERM LIABILITIES:

On May 9, 2014, the Authority issued \$1,738,000 of Revenue and Refunding Bonds, Series 2014A and \$3,382,000 of Revenue and Refunding Bonds, Series 2014B to refund the Authority's Revenue and Refunding Bonds, Series 2011A and 2011B. The refunding was taken to reduce total future debt payments and the new debt was used to pay off the old debt, dollar for dollar except for the costs of issuance. The transaction resulted in cash flow savings of \$95,412 over the life of the issue with present value savings of \$213,039. Series 2014A payments are due in annual installments ranging from \$346,000 on August 15, 2016 to \$356,000 on August 15, 2018 at an interest rate of 1.32%, increased to 1.52% effective August 1, 2018. Series 2014B payments are due in annual installments ranging from \$47,000 on August 15, 2016 to \$482,000 on August 15, 2025 at an interest rate of 2.58%, increased to 2.98% effective August 1, 2018.

On August 11, 2015, the Authority closed on a \$4,782,376 bond used to finance certain energy savings equipment and improvements under an energy performance contract. Principal payments are to be made in semi-annual installments ranging from \$53,360 on August 1, 2016 to \$290,793 on August 1, 2030 at an interest rate of 3.06%, increased to 3.72% effective January 1, 2018.

As of June 30, 2018, the Authority's bonds consisted of the following:

Year Issued	Description	Interest Rate	Amount Outstanding
2014	Revenue and Refunding Bond - Series 2014A	1.520%	\$ 356,000
2014	Revenue and Refunding Bond - Series 2014B	2.980%	3,178,000
2016	Energy Performance Contract Bond	3.720%	4,467,161

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

	Original Balance July 1, 2017	Restate- ment	Restated Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018	Amount Due Within One Year
Revenue and refunding bonds	\$ 3,933,000	\$ -	\$ 3,933,000	\$ -	\$ 399,000	\$ 3,534,000	\$ 405,000
Energy performance contract bond	4,675,657	-	4,675,657	-	208,496	4,467,161	205,396
Compensated absences	792,490	-	792,490	168,822	180,008	781,304	78,130
Net pension liability	2,215,868	-	2,215,868	2,962,568	4,659,349	519,087	-
Net OPEB liability	-	661,000	661,000	11,000	100,000	572,000	-
Total long-term liabilities	<u>\$ 11,617,015</u>	<u>\$ 661,000</u>	<u>\$ 12,278,015</u>	<u>\$ 3,142,390</u>	<u>\$ 5,546,853</u>	<u>\$ 9,873,552</u>	<u>\$ 688,526</u>

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 11 - LONG-TERM LIABILITIES: (continued)

The annual requirements to amortize bonds and vehicle loans are as follows:

June 30,	Revenue and Refunding Bonds		Energy Performance Contract Bond	
	Principal	Interest	Principal	Interest
2019	\$ 405,000	\$ 98,321	\$ 205,396	\$ 164,270
2020	413,000	87,091	224,658	156,450
2021	424,000	74,619	232,460	148,021
2022	435,000	61,820	281,280	138,920
2023	447,000	48,678	305,298	128,233
2024-2028	1,410,000	63,742	1,934,635	447,406
2029-2031	-	-	1,283,434	73,858
Totals	\$ 3,534,000	\$ 434,271	\$ 4,467,161	\$ 1,257,158

NOTE 12 - PENSION PLAN

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

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

NOTE 12 - PENSION PLAN: (continued)*Plan Description (continued)*

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	82
Inactive members:	
Vested inactive members	17
Non-vested inactive members	76
Inactive members active elsewhere in VRS	<u>61</u>
Total inactive members	154
Active members	<u>161</u>
Total covered employees	<u><u>397</u></u>

Contributions

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2018 was 13.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$965,346 and \$923,023 for the years ended June 30, 2018 and June 30, 2017, respectively.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (continued)

Mortality rates: (continued)

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-Hazardous Duty:

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

All Others (Non 10 Largest) - Non-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%

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (continued)

Mortality rates: (continued)

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

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%

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

<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%.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 26,245,162	\$ 24,029,294	\$ 2,215,868
Changes for the year:			
Service cost	\$ 1,150,645	\$ -	\$ 1,150,645
Interest	1,792,680	-	1,792,680
Changes in assumptions	(278,670)	-	(278,670)
Differences between expected and actual experience	(127,737)	-	(127,737)
Contributions - employer	-	922,904	(922,904)
Contributions - employee	-	386,861	(386,861)
Net investment income	-	2,943,177	(2,943,177)
Benefit payments, including refunds of employee contributions	(1,270,882)	(1,270,882)	-
Administrative expenses	-	(16,605)	16,605
Other changes	-	(2,638)	2,638
Net changes	\$ 1,266,036	\$ 2,962,817	\$ (1,696,781)
Balances at June 30, 2017	\$ 27,511,198	\$ 26,992,111	\$ 519,087

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 12 - PENSION PLAN: (continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability (Asset)	\$ 4,075,713	\$ 519,087	\$ (2,441,163)

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

For the year ended June 30, 2018, the Authority recognized pension expense of \$459,057. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 199,384
Change in assumptions	-	192,661
Net difference between projected and actual earnings on pension plan investments	-	392,044
Employer contributions subsequent to the measurement date	965,346	-
Total	\$ 965,346	\$ 784,089

\$965,346 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2019	\$ (429,257)
2020	(64,876)
2021	(37,869)
2022	(252,087)
Thereafter	-

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Group Life Insurance (GLI) Program:

Plan Description

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

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

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

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)**Group Life Insurance (GLI) Program: (continued)***Plan Description (Continued)*

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$38,242 and \$36,482 for the years ended June 30, 2018 and June 30, 2017, respectively.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

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

At June 30, 2018, the entity reported a liability of \$572,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .03803% as compared to .03776% at June 30, 2016.

For the year ended June 30, 2018, 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.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	22,000
Change in assumptions	-	29,000
Changes in proportion	4,000	-
Employer contributions subsequent to the measurement date	<u>38,242</u>	<u>-</u>
Total	<u>\$ 42,242</u>	<u>\$ 64,000</u>

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (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)

\$38,242 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (12,000)
2020	(12,000)
2021	(12,000)
2022	(12,000)
2023	(8,000)
Thereafter	(4,000)

Actuarial Assumptions

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

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

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

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

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees: (Continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

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

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

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (continued)

Actuarial Assumptions: (Continued)

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

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

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

NET GLI OPEB Liability

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

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (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%.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Group Life Insurance (GLI) Program: (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 ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
Authority's proportionate				
share of the GLI Net OPEB Liability	\$	740,000	\$ 572,000	\$ 436,000

Group Life Insurance Program Fiduciary Net Position

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

Line of Duty Act (LODA)

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 Authority has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Authority to VML. VML assumes all liability for the 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 Authority's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2018 was \$41,040.

NOTE 14 - DEFERRED COMPENSATION PLAN:

The Authority provides an approved deferred compensation plan (Plan) under Section 457 of the Internal Revenue Code. All Authority employees are eligible to participate and may elect to defer up to 25% of their gross income up to a maximum of \$18,500 per year for employees under 50 years of age and \$24,500 for employees 50 or older. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan are administered by a third-party administrator, ICMA Retirement Corporation.

In compliance with the provisions of the IRC Section 457(g), the Plan assets are in custodial accounts for the exclusive benefit of the Plan's participants and beneficiaries. Consequently, these assets and the related liability are not reported in the accompanying financial statements in compliance with governmental accounting standards for deferred compensation plans.

NOTE 15 - CONTINGENCIES:

The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the disposition of these claims will not have a material adverse impact on the Authority.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

NOTE 16 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. The Authority purchases commercial insurance for specific types of coverage including property, auto and workers' compensation. The Commonwealth of Virginia provides coverage under the VARISK program for general liability and faithful performance of duty bond. There were no significant reductions in insurance coverage from the prior year. Claims settlements and judgments not covered by commercial insurance would be covered by operating resources. To date there have been no settlements or judgments not covered by insurance. The amount of settlements did not exceed insurance coverage for each of the past three years. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 17 - ADOPTION OF ACCOUNTING PRINCIPLES:

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

	Operating Fund	Canteen Fund	Total
Net Position July 1, 2017	\$ 4,223,506	\$ 59,716	\$ 4,283,222
Implementation of GASB 75	(625,000)	-	(625,000)
Net Position as restated July 1, 2017	<u>\$ 3,598,506</u>	<u>\$ 59,716</u>	<u>\$ 3,658,222</u>

- Required Supplementary Information -

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,150,645	\$ 1,133,475	\$ 1,030,439	\$ 1,030,092
Interest	1,792,680	1,689,978	1,577,173	1,456,525
Differences between expected and actual experience	(127,737)	(207,853)	(79,923)	-
Changes in assumptions	(278,670)	-	-	-
Benefit payments, including refunds of employee contributions	(1,270,882)	(1,025,953)	(806,430)	(719,710)
Net change in total pension liability	\$ 1,266,036	\$ 1,589,647	\$ 1,721,259	\$ 1,766,907
Total pension liability - beginning	26,245,162	24,655,515	22,934,256	21,167,349
Total pension liability - ending (a)	\$ 27,511,198	\$ 26,245,162	\$ 24,655,515	\$ 22,934,256
Plan fiduciary net position				
Contributions - employer	\$ 922,904	\$ 938,533	\$ 898,305	\$ 989,437
Contributions - employee	386,861	347,325	326,368	320,817
Net investment income	2,943,177	422,285	1,018,499	2,954,712
Benefit payments, including refunds of employee contributions	(1,270,882)	(1,025,953)	(806,430)	(719,710)
Administrative expense	(16,605)	(14,194)	(13,325)	(15,253)
Other	(2,638)	(176)	(216)	156
Net change in plan fiduciary net position	\$ 2,962,817	\$ 667,820	\$ 1,423,201	\$ 3,530,159
Plan fiduciary net position - beginning	24,029,294	23,361,474	21,938,273	18,408,114
Plan fiduciary net position - ending (b)	\$ 26,992,111	\$ 24,029,294	\$ 23,361,474	\$ 21,938,273
Authority's net pension liability - ending (a) - (b)	\$ 519,087	\$ 2,215,868	\$ 1,294,041	\$ 995,983
Plan fiduciary net position as a percentage of the total pension liability	98.11%	91.56%	94.75%	95.66%
Covered payroll	\$ 7,000,758	\$ 6,766,817	\$ 6,456,217	\$ 6,290,626
Authority's net pension liability as a percentage of covered payroll	7.41%	32.75%	20.04%	15.83%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

Date	Contributions in Relation to				Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Covered Payroll (5)	
2018	\$ 965,346	\$ 965,346	\$ -	\$ 7,333,287	13.16%	
2017	923,023	923,023	-	7,000,758	13.18%	
2016	942,618	942,618	-	6,766,817	13.93%	
2015	899,351	899,351	-	6,456,217	13.93%	
2014	989,515	989,515	-	6,290,626	15.73%	
2013	965,219	965,219	-	6,136,168	15.73%	
2012	749,144	749,144	-	6,026,901	12.43%	
2011	738,208	738,208	-	5,938,922	12.43%	
2010	604,502	604,502	-	5,874,656	10.29%	
2009	554,410	554,410	-	5,387,855	10.29%	

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

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

Largest 10 - Non-Hazardous Duty:

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

Largest 10 - Hazardous Duty:

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.03803% \$	572,000 \$	7,000,758	8.17%	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.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions - Group Life Insurance Program
 For the Years Ended June 30, 2014 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 38,242	\$ 38,242	\$ -	\$ 7,354,214	0.52%
2017	36,482	36,482	-	7,000,758	0.52%
2016	32,568	32,568	-	6,766,817	0.48%
2015	28,355	28,355	-	6,456,217	0.44%
2014	29,746	29,746	-	6,290,626	0.47%

Schedule is intended to show information for 10 years. Information prior to 2014 is unavailable.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

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

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

General State Employees

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

Teachers

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

SPORS Employees

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

ValORS Employees

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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- Other Supplementary Information -

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

AGENCY FUNDS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Inmate Fund				
Assets:				
Cash	\$ 122,936	\$ 819,439	\$ 821,286	\$ 121,089
Liabilities:				
Amounts held for inmate benefits	\$ 63,902	\$ 767,437	\$ 762,252	\$ 69,087
Accounts Payable - Canteen Fund	49,263	45,154	49,263	45,154
Accounts Payable - Operating Fund	9,771	6,848	9,771	6,848
Total liabilities	\$ 122,936	\$ 819,439	\$ 821,286	\$ 121,089
Work Release Fund				
Assets:				
Cash	\$ 18,489	\$ 360,929	\$ 352,055	\$ 27,363
Accounts Receivable - Operating Fund	-	3,785	-	3,785
Total assets	\$ 18,489	\$ 364,714	\$ 352,055	\$ 31,148
Liabilities:				
Amounts held for inmate benefits	\$ 18,489	\$ 364,714	\$ 352,055	\$ 31,148
Employee Wellness Funds				
Assets:				
Cash	\$ 3,664	\$ 1,319	\$ 3,350	\$ 1,633
Liabilities:				
Amounts held for employee benefits	\$ 3,664	\$ 1,319	\$ 3,350	\$ 1,633
TOTALS:				
Assets:				
Cash	\$ 145,089	\$ 1,181,687	\$ 1,176,691	\$ 150,085
Accounts Receivable - Operating Fund	-	3,785	-	3,785
Total assets	\$ 145,089	\$ 1,185,472	\$ 1,176,691	\$ 153,870
Liabilities:				
Accounts Payable - Canteen Fund	\$ 49,263	\$ 45,154	\$ 49,263	\$ 45,154
Accounts Payable - Operating Fund	9,771	6,848	9,771	6,848
Amounts held for inmate benefits	82,391	1,132,151	1,114,307	100,235
Amounts held for employee benefits	3,664	1,319	3,350	1,633
Total liabilities	\$ 145,089	\$ 1,185,472	\$ 1,176,691	\$ 153,870

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- Statistical Tables -

This section of the Western Tidewater Regional Jail Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Financial Trends

These tables contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. Tables 1-2

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Authority's ability to generate its revenues..... Tables 3-5

Debt Capacity

This table presents information to help the reader assess the affordability of the Authority's current level of outstanding debt and the Authority's ability to issue additional debt in the future. Table 6-7

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other governments. Tables 8-11

Operating Information

These tables contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and activities it performs..... Tables 12-14

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

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TABLE 1

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Net Position - By Component
Last Ten Years

	Fiscal Year						
	2018	2017	2016	2015	2014	2013	2012
Net investment in capital assets	\$ 2,705,685	\$ 3,672,089	\$ 4,435,600	\$ 5,544,599	\$ 6,546,947	\$ 7,284,975	\$ 9,947,050
Restricted	51,101	59,716	202,947	331,336	297,126	442,151	403,319
Unrestricted	1,326,503	551,417	(274,677)	(1,862,788)	(106,650)	590,597	1,574,576
Total net position	<u>\$ 4,083,289</u>	<u>\$ 4,283,222</u>	<u>\$ 4,363,870</u>	<u>\$ 4,013,147</u>	<u>\$ 6,737,423</u>	<u>\$ 8,317,723</u>	<u>\$ 11,924,945</u>

Note: Information is not available prior to fiscal year 2012.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Changes in Net Position Last Ten Years

	Fiscal Year		
	2018	2017	2016
Operating revenues:			
Commonwealth	\$ 6,159,258	\$ 6,140,870	\$ 6,155,431
Federal	3,534,780	2,946,669	3,101,294
City of Suffolk	4,364,052	4,364,037	4,303,091
City of Franklin	921,983	921,980	922,091
Isle of Wight County	860,517	860,514	922,091
Other localities	-	-	-
Telephone commissions	473,373	387,110	360,000
Room and board	64,248	104,772	135,209
Work release and weekenders	185,699	239,556	271,372
Canteen commissions	176,115	176,715	259,695
Miscellaneous	311,684	172,121	93,195
Total operating revenues	\$ 17,051,709	\$ 16,314,344	\$ 16,523,469
Operating expenses:			
Personnel costs	\$ 7,623,342	\$ 7,221,586	\$ 6,981,093
Fringe benefits	1,961,384	2,344,965	1,794,957
Payroll taxes	565,013	546,178	518,321
Medical supplies and services	1,574,740	1,190,674	1,540,395
Food purchases and kitchen supplies	-	-	-
Utilities	755,120	711,616	1,257,469
Repairs and maintenance	202,396	150,004	212,612
Insurance	22,347	21,623	20,400
Contractual services	1,463,799	1,585,837	1,605,288
Other supplies	-	-	-
Vehicle expenses	66,223	78,670	51,331
Administrative	188,633	246,150	191,112
Inmate supplies	102,445	100,901	101,472
Inmate support	39,672	45,566	117,951
Officer expenses	100,165	116,615	98,705
Miscellaneous	22,674	10,259	3,089
Depreciation	1,724,866	1,801,747	1,479,751
Total operating expenses	\$ 16,412,819	\$ 16,172,391	\$ 15,973,946
Net operating income (loss)	\$ 638,890	\$ 141,953	\$ 549,523
Nonoperating revenues (expenses)			
Interest income	\$ 15,592	\$ 7,201	\$ 9,234
Rental income	9,000	9,000	9,000
Gain (loss) on disposal of capital assets	-	-	(19,117)
Costs of issuance	-	-	(97,626)
Interest and fiscal charges	(238,415)	(238,802)	(100,291)
Net nonoperating revenues (expenses)	\$ (213,823)	\$ (222,601)	\$ (198,800)
Change in net position	\$ 425,067	\$ (80,648)	\$ 350,723

Note: Information is not available prior to fiscal year 2012.

TABLE 2

2015		2014		2013		2012	
\$	6,179,880	\$	5,810,750	\$	4,756,098	\$	4,541,671
	2,083,685		2,833,101		3,774,744		3,970,299
	3,797,045		2,588,491		2,588,491		2,575,604
	851,235		570,990		570,990		522,586
	909,852		647,123		647,123		634,569
	-		1,780		-		-
	360,000		368,251		405,313		-
	168,412		163,366		157,286		133,339
	192,203		167,553		88,898		63,559
	240,277		161,090		179,900		175,280
	112,653		84,971		66,859		389,974
\$	14,895,242	\$	13,397,466	\$	13,235,702	\$	13,006,881
\$	6,509,641	\$	5,677,615	\$	5,695,977	\$	5,637,268
	1,547,630		2,697,823		2,651,609		2,309,546
	508,084		469,540		460,254		455,352
	2,030,054		1,423,268		1,309,019		979,139
	-		-		896,146		793,890
	1,284,077		1,246,525		1,140,506		1,025,980
	211,612		483,716		494,220		511,229
	83,835		91,471		100,997		145,304
	1,453,141		1,086,299		216,712		155,724
	-		-		110,054		87,277
	56,235		61,787		-		-
	155,560		102,796		138,284		105,161
	105,414		48,553		41,611		34,751
	49,365		232,381		75,633		209,511
	65,535		38,648		24,057		38,998
	500		4,292		42,283		66,034
	1,426,686		1,470,947		1,419,522		1,218,949
\$	15,487,369	\$	15,135,661	\$	14,816,884	\$	13,774,113
\$	(592,127)	\$	(1,738,195)	\$	(1,581,182)	\$	(767,232)
\$	5,384	\$	2,663	\$	7,603	\$	991
	-		-		-		-
	(261,637)		4,107		4,151		60
	-		(53,600)		-		-
	(106,099)		(176,544)		(201,920)		(179,188)
\$	(362,352)	\$	(223,374)	\$	(190,166)	\$	(178,137)
\$	(954,479)	\$	(1,961,569)	\$	(1,771,348)	\$	(945,369)

TABLE 3

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Member and Other Local Government Revenues
Last Ten Years

Fiscal Year		City of Suffolk		City of Franklin		Isle of Wight County		Other Localities	Total
2018	\$	4,364,052	\$	921,983	\$	860,517	\$	-	\$ 6,146,552
2017		4,364,037		921,980		860,514		-	6,146,531
2016		4,303,091		922,091		922,091		-	6,147,273
2015		3,797,045		851,235		909,852		-	5,558,132
2014		2,588,491		570,990		647,123		1,780	3,808,384
2013		2,588,491		570,990		647,123		-	3,806,604
2012		2,575,604		522,586		634,569		-	3,732,759
2011		1,965,834		421,250		421,250		650	2,808,984

Note: Information is not available prior to fiscal year 2011.

TABLE 4

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Percentage of Member Budget Based on Population
Last Ten Years

Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County
2018	71%	15%	14%
2017	71%	15%	14%
2016	70%	15%	15%
2015	69%	15%	16%
2014	69%	15%	16%
2013	68%	15%	17%
2012	68%	15%	17%
2011	70%	15%	15%

A direct rate is not applied to this revenue source.

The board votes on the budget as a whole and the approved amount is divided by a 3 year running average of inmate population to determine the allocation of funding between member localities.

Note: Information is not available prior to fiscal year 2011.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Total Revenue - By Source Last Ten Years

<u>Fiscal Year</u>	<u>Commonwealth Reimbursement</u>	<u>Commonwealth Per Diems</u>	<u>Commonwealth Medical Reimb</u>	<u>Total from Commonwealth</u>	<u>Member Per Diems</u>
2018	\$ 4,708,643	\$ 1,119,098	\$ 331,517	\$ 6,159,258	\$ 6,146,552
2017	4,701,683	1,284,068	155,119	6,140,870	6,146,531
2016	4,822,979	1,332,452	220,614	6,376,045	6,147,273
2015	4,681,044	1,085,249	413,587	6,179,880	5,558,132
2014	4,825,263	847,726	137,761	5,810,750	3,806,604
2013	4,510,466	245,632	-	4,756,098	3,806,604
2012	4,471,608	70,063	-	4,541,671	3,732,759

Note: Information is not available prior to fiscal year 2012.

TABLE 5

<u>Federal</u>	<u>Work Release & Weekenders</u>	<u>Telephone Commissions</u>	<u>Room & Board</u>	<u>Inmates Commissary</u>	<u>Miscellaneous Revenues</u>	<u>Total Revenues</u>
\$ 3,534,780	\$ 185,699	\$ 473,373	\$ 64,248	\$ 176,115	\$ 311,684	\$ 17,051,709
2,946,669	239,556	387,110	104,772	176,715	188,322	16,330,545
2,880,680	271,372	360,000	135,209	259,695	111,429	16,541,703
2,083,685	192,203	360,000	168,412	240,277	118,037	14,900,626
2,833,101	167,553	368,251	163,366	161,090	853,134	14,163,849
3,774,744	88,898	405,313	157,286	179,900	78,613	13,247,456
3,970,299	63,559	328,007	133,339	175,280	63,018	13,007,932

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Outstanding Debt by Type and Ratios to Personal Income and Population Last Ten Years

Fiscal Year	Revenue Bonds	Energy Performance Bond	Notes Payable	Vehicle Loans
2018	\$ 3,534,000	\$ 4,467,161	-	\$ -
2017	3,933,000	4,675,657	-	-
2016	4,326,000	4,782,376	-	104,245
2015	4,713,000	-	53,473	39,022
2014	5,120,000	-	111,806	60,228
2013	5,546,000	-	170,139	-
2012	6,048,000	-	-	-

(1) Total for members - from table 8.

Note: Information is not available prior to fiscal year 2012.

TABLE 6

	Total	Annual Personal Income (1)	Ratio of Debt to Personal Income	Population (1)	Debt Per Capita
\$	8,001,161	\$ Unavailable	Unavailable	Unavailable	\$ Unavailable
	8,608,657	Unavailable	Unavailable	138,340	62.23
	9,212,621	7,174,381	128%	137,393	67.05
	4,805,495	6,960,274	69%	135,399	35.49
	5,292,034	6,604,786	80%	132,563	39.92
	5,716,139	6,147,971	93%	131,580	43.44
	6,048,000	6,106,619	99%	130,711	46.27

TABLE 7

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Revenue Bond Coverage
Last Ten Years

Fiscal Year	Operating Revenues (1)	Operating Expenses Less Depreciation (1)	Income Available for Debt Service	Annual Revenue Bond Debt Service (2)	Coverage
2018	\$ 16,875,594	\$ 14,503,223	\$ 2,372,371	\$ 832,756	2.85
2017	16,137,629	14,050,698	2,086,931	809,802	2.58
2016	16,263,774	14,105,908	2,157,866	488,181	4.42
2015	14,654,965	13,884,459	770,506	488,395	1.58
2014	13,236,376	13,358,212	(121,836)	741,967	(0.16)
2013	13,055,802	13,255,330	(199,528)	700,119	(0.28)
2012	12,831,601	12,375,400	456,201	542,188	0.84

(1) Information excludes activity of canteen fund, which is not available for debt service.

(2) Actual principal and interest due on revenue bond and energy performance contract financing.

Note: Information is not available prior to fiscal year 2012.

TABLE 8

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Demographic Statistics for Member Jurisdictions
Last Ten Years

Total Annual Personal Income (1)					
Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County	Totals	
2017	\$ Unavailable	\$ Unavailable	\$ Unavailable	\$	Unavailable
2016	4,326,809	946,389	1,874,183		7,174,381
2015	4,190,597	930,617	1,839,060		6,960,274
2014	3,940,083	883,392	1,781,311		6,604,786
2013	3,579,047	937,344	1,631,580		6,147,971
2012	3,521,692	959,122	1,625,805		6,106,619
2011	3,335,935	877,457	1,559,051		5,772,443
2010	3,125,659	836,171	1,461,652		5,423,482

Per Capita Personal Income (1)					
Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County	Totals	
2017	\$ Unavailable	\$ Unavailable	\$ Unavailable	\$	Unavailable
2016	48,467	35,898	51,213		135,578
2015	47,533	34,987	50,643		133,163
2014	45,390	33,229	49,471		128,090
2013	41,749	35,020	45,759		122,528
2012	41,344	35,624	45,955		122,923
2011	39,279	32,506	44,198		115,983
2010	36,828	30,773	41,424		109,025

Population (2)					
Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County	Totals	
2017	92,533	8,474	37,333		138,340
2016	91,722	8,597	37,074		137,393
2015	90,426	8,535	36,438		135,399
2014	87,831	8,560	36,172		132,563
2013	86,463	8,655	36,462		131,580
2012	85,692	8,839	36,180		130,711
2011	84,585	8,680	35,457		128,722
2010	82,616	8,560	35,412		126,588

Unemployment Rate (3)					
Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County		
2017	4.1%	5.6%	3.7%		
2016	4.7%	5.9%	4.3%		
2015	5.0%	5.3%	4.6%		
2014	6.4%	8.2%	5.3%		
2013	6.5%	9.4%	5.7%		
2012	6.8%	10.1%	6.3%		
2011	7.3%	11.5%	6.9%		
2010	7.8%	13.6%	7.1%		

Sources: (1) U.S. Department of Commerce, Bureau of Economic Analysis
 (2) Weldon Coooper Center for Public Service
 (3) Virginia Employment Commission

Note: Personal Income, Population and Unemployment statistics were not available prior to 2010.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Principal Employers
Current Year and Period Nine Years Ago

Calendar Year 2017

City of Suffolk

Rank	Employer	Employees
1	Navy Information Dominance Forces (Cyber Forces)	1,500
2	J7 Joint Staff	1,200
3	Sentara Health System	1,061
4	CVN Distribution/QVC, Inc.	620
5	Target	600
6	Walmart Stores	450
7	Towne Bank	369
8	Sysco Food Services of Hampton Roads	350
9	Planters/Kraft Foods	350
10	Unilever/Lipton Inc.	300

City of Franklin

Rank	Employer	Employees
1	Southampton Memorial Hospital	250 - 499
2	City of Franklin Public Schools	250 - 499
3	Walmart	250 - 499
4	City of Franklin	100 - 249
5	On Time Staffing	100 - 249
6	Paul D. Camp Community College	100 - 249
7	VDOT	100 - 249
8	Village at Woods Edge	100 - 249
9	Lowes Home Center	50 - 99
10	Care Advantage	50 - 99

Isle of Wight County

Rank	Employer	Employees
1	Smithfield Packing Company	1000+
2	Isle of Wight County School Board	500 - 999
3	Keurig Green Mountain	500 - 999
4	County of Isle of Wight	250 - 499
5	International Paper Company	100 - 249
6	Food Lion	100 - 249
7	Cost Plus, Inc.	100 - 249
8	Packers Sanitation Service, Inc.	100 - 249
9	C R England Inc.	100 - 249
10	Smithfield Foods	100 - 249

Source: Economic development departments from the related locality

Note: Information is not available for period nine years prior. Calendar Year 2014 is the oldest information available.

TABLE 9

Calendar Year 2014		
City of Suffolk		
Rank	Employer	Employees
1	Suffolk Public Schools	1,780
2	Navy Information Dominance Forces (Cyber Forces)	1,500
3	Sentara Health System	1,300
4	J7 Joint Staff	1,200
5	City of Suffolk	1,139
6	QVC	900
7	Sysco Food Services of Hampton Roads	500
8	Walmart	450
9	Kraft/Planters Peanuts	340
10	Unilever/Lipton, Inc.	300
City of Franklin		
Rank	Employer	Employees
1	Southampton County Public Schools	500 - 999
2	Deerfield Correctional Center	500 - 999
3	Southampton Memorial Hospital	250 - 499
4	Franklin City Public Schools	250 - 499
5	Walmart	250 - 499
6	Narricot Industries	100 - 249
7	Southampton County	100 - 249
8	City of Franklin	100 - 249
9	Paul D. Camp Community College	100 - 249
10	Care Advantage	100 - 249
Isle of Wight County		
Rank	Employer	Employees
1	Smithfield Packing Company	1000+
2	Isle of Wight County School Board	500 - 999
3	County of Isle of Wight	250 - 499
4	Keurig Green Mountain	250 - 499
5	International Paper Company	100 - 249
6	Riverside Regional Medical Center	100 - 249
7	C R England Inc.	100 - 249
8	Food Lion	100 - 249
9	Packers Sanitation Service, Inc.	100 - 249
10	Cost Plus, Inc.	100 - 249

TABLE 10

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Full-time Equivalent Employees
Last Ten Years

As of June 30	Jail Operations		Total (1)
	Sworn	Civilian	
2018	142	33	175
2017	152	27	179
2016	148	22	170
2015	140	25	165
2014	141	25	166
2013	134	26	160

(1) Full-time equivalent employees equal positions filled at June 30.

Note: Information is not available prior to fiscal year 2013.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Capital Asset Statistics
Last Ten Years

<u>Fiscal Year</u>	<u>Vehicles</u>	<u>Housing Units</u>
2018	22	6
2017	22	6
2016	21	6
2015	19	6
2014	18	6
2013	19	6
2012	20	6
2011	20	6
2010	21	6

Although there are currently 6 housing units, they are all contained within one building.

Note: Information is not available prior to fiscal year 2010.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Inmate Population Statistics Last Ten Years

Fiscal Year	From			Total	Feds	Total ADP
	City of Suffolk	City of Franklin	Isle of Wight County			
2018	317	73	93	483	178	661
2017	340	75	97	512	147	659
2016	376	80	89	545	143	688
2015	413	83	74	570	104	674
2014	393	90	81	564	127	691
2013	395	83	84	562	154	716
2012	359	88	65	512	163	675
2011	334	77	92	503	197	700
2010	393	72	100	565	201	766

Note: Information is not available prior to fiscal year 2010.

TABLE 12

Admissions	Releases	Males	Females	Average Length of Stay (Days)
5,591	5,660	5,099	1,186	215
6,436	5,713	5,246	1,274	38
4,239	4,149	Unavailable	Unavailable	112
5,602	5,501	Unavailable	Unavailable	95
6,183	6,186	Unavailable	Unavailable	97
7,002	7,013	Unavailable	Unavailable	84
6,655	6,622	Unavailable	Unavailable	81
6,641	6,811	Unavailable	Unavailable	96
6,778	6,728	Unavailable	Unavailable	92

TABLE 13

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Miscellaneous Statistical Data
June 30, 2018

Date of creation agreement	November 1, 1990
Date of ground breaking	March 3, 1991
Date operations began	July 15, 1992
General population:	
Actual capacity	1,070
DOC rated capacity	552

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Insurance in Force
As of June 30, 2018

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Automobile Coverages:				
Automobile Liability	VML Insurance Programs	6/30/2018	\$ 1,000,000 Per occurrence	none
Medical Payments Coverage	VML Insurance Programs	6/30/2018	\$ 10,000 Per person	none
Property Coverages:				
Blanket Buildings, Contents PIO	VML Insurance Programs	6/30/2018	\$ 43,284,164	\$ 5,000
Electronic Data Processing	VML Insurance Programs	6/30/2018	\$ 75,000	\$ 5,000
Boiler & Machinery Coverage:				
Property Damage Limit	VML Insurance Programs	6/30/2018	\$ 10,000,000 Per accident	\$ 1,000
Workers' Compensation	VML Insurance Programs	6/30/2018	Required Statutory Limits	none
Line of Duty	VML Insurance Programs	6/30/2018	Required Statutory Limits	none
Constitutional Officer General Liability - VaRisk (1)	Commonwealth of Virginia - Division of Risk Management	Continuous	\$ 1,000,000	none
Faithful Performance of Duty Bond (1)	Travelers Casualty and Surety Company of America	Continuous	\$ 30,000	none

(1) Provided by the Commonwealth of Virginia

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- Compliance -

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

BOARD OF DIRECTORS WESTERN TIDEWATER REGIONAL JAIL AUTHORITY SUFFOLK, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate remaining fund information of Western Tidewater Regional Jail Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Western Tidewater Regional Jail Authority's basic financial statements and have issued our report thereon dated November 1, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Authority's Response to Finding

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

Purpose of this Report

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

Robinson, Finner, Cox Associates

Charlottesville, Virginia
November 1, 2018

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

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

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

2018-001

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by entity's internal controls indicates that a material weakness may exist.
Condition:	The Authority's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP).
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Cause:	Management failed to identify all year end accounting adjustments necessary for the books to be prepared in accordance with current reporting standards. The Authority experienced significant turnover in finance during the year and was short-staffed for several months. Without the prior experience, there was not enough technical expertise to detect errors and make adjustments in closing the year-end financial statements.
Recommendation:	Management should review the audit adjustments made during this audit and incorporate adjustments prior to the next audit. Management should also consider training for the finance staff or hiring a consultant with governmental experience to ensure adjustments are made prior to audit fieldwork.
Management's Response:	Management has already initiated additional training for the Fiscal Officer. Currently, additional staff and/or contract staff with expertise in governmental accounting is being solicited. Management will be contracting with an additional outside firm to provide pre-audit services.

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