WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

Prepared by the Administrative Division

William C. Smith, Superintendent

E.B. “Tim” Wertheimer IV, CPA, Director of Administration & Support

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Comprehensive Annual Financial Report
Year Ended June 30, 2017

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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 **Vice Chairman**, Personnel and Finance Committees

- Lue R. Ward, City Council Member, Suffolk
  WTRJ Authority Personnel Committee

- Tealan D. Hansen, Finance Director, Suffolk (Alternate)
  WTRJ Authority Finance Committee

Isle of Wight:

- Mark A. Marshall, Sheriff, Isle of Wight
  WTRJ Authority Personnel Committee

- Rex W. Alphin, Board of Supervisors, Isle of Wight
  WTRJ Authority **Chairman**, Personnel Committee

- Rudolph Jefferson, Board of Supervisors, Isle of Wight
  WTRJ Authority Personnel and Finance Committees

- Randy R. Keaton, Isle of Wight (Alternate)
  WTRJ Authority Finance Committee

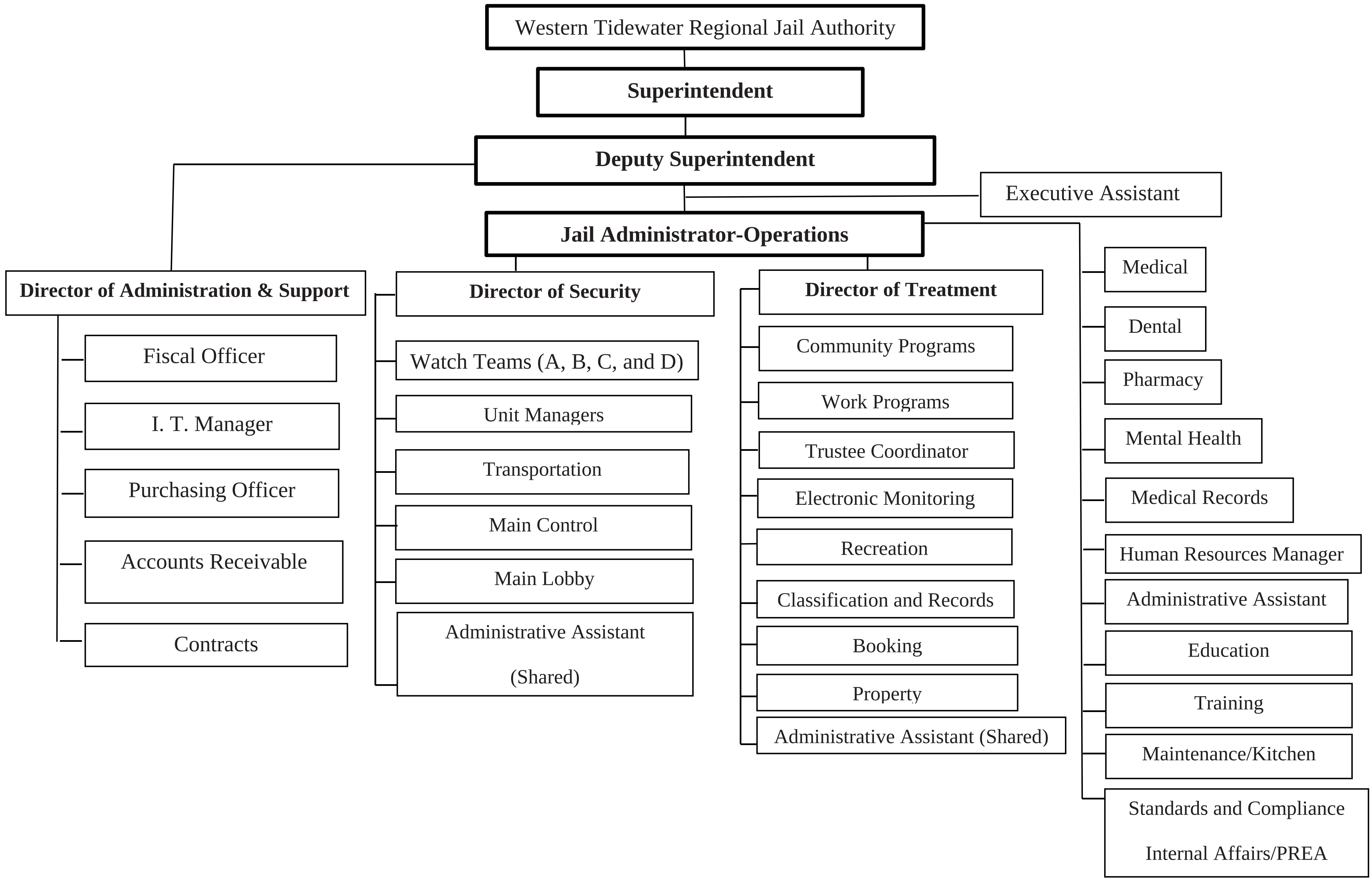
Franklin:

- Barry W. Cheatham, Vice Mayor, Franklin, City Council Member
  WTRJ Authority **Secretary**, 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



Revised February 2017

Principal Officials

First Name	Last Name	Rank/Title	Team
William C	Smith	Colonel - Superintendent	Admin
Antonio	Parham	Lt Colonel - Deputy Super	Admin
Ernest Lee	Bower	Major	Operations
Edgar B IV	Wertheimer	Director - Administration	Admin
Marissa A	Dickens	Executive Assistant	Admin
Stevie Lynn	Ezzell	Lieutenant	Admin
Carol Anne	Suits	Accounting Officer	Admin
Karen	Hatfield	Officer	Purchasing Officer
Dorothy	Wilford	Payroll Officer	Admin
David W	Davis	IT Manager	Admin
Matthew T	LeClair	IT Assistant	Admin
Laura B	Conway	Human Resources Manager	Admin
Anne L	White	RN	Health Services Admin
Dawn M	Battaglia	LPN	Medical Treatment
Shaquanda L	Boone	Registered Med Tech	Medical Treatment
Marchelle	Cottrell	Medical Assistant	Medical Treatment
India C	Deloatch	LPN	Medical Treatment
Tiffany D	Harrell	LPN	Medical Treatment
Melissa E	Holden-Darden	LPN	Medical Treatment
Doris B	Jacobs	LPN	Medical Treatment
Karen L	Modesitt	LPN	Medical Treatment
Natalya E	Moore	LPN	Medical Treatment
Arica	Peele	Medication Aide	Medical Treatment
Michelle L	Peterson	LPN	Medical Treatment
Kelly A	Picotte	LPN	Medical Treatment
Trisha	Powell	LPN	Medical Treatment
Wanda P	Prescott	Administrative Assistant	Medical Treatment
Danielle M	Reeves-Brown	LPN	Medical Treatment
Nichole A	West	LPN	Medical Treatment
Josephus	Chavis Jr	Officer	Medical - A Team
Morty	Williams	Officer	Medical - B Team
Tanya D	Blair	Captain	Security
Anthony Keith	Perry	Lieutenant	A Team
Lemuel K	Jones	Sergeant	A Team
Tamitia LaShone	Wiggins	Sergeant	A Team
Tasha L	Wiggins	Corporal	A Team
NaQuisha D	Blair	Officer	A Team
Bobby L	Brinkley	Officer	A Team
Meghann K	Burden	Officer	A Team
Lindsey	Cofield	Officer	A Team
Erik A	Davidson	Officer	A Team
Brandon M	Halsey	Officer	A Team
Brandon A	Holden	Officer	A Team
Donte L	Jackson	Officer	A Team
Rahkeem D	Jackson	Officer	A Team
Mack	Lassiter, III	Officer	A Team
Byron L	Lawrence Sr	Officer	A Team

Principal Officials

First Name	Last Name	Rank/Title	Team
Shella	Leigh	Officer	A Team
Alexander Q	Lensch	Officer	A Team
Gere	Macon Underwood	Officer	A Team
Robert B	May	Officer	A Team
Tiffany	Riggins	Officer	A Team
Stanley A	Sagar	Officer	A Team
Janeen Diggs	Simmons	Officer	A Team
Lucinda M	Taylor-Barnes	Officer	A Team
Anita P	Thompson	Officer	A Team
Leon	Parker Jr	Lieutenant	B Team
Joan Elois	Riddick	Sergeant	B Team
Keanessa L	Williams-Whiteh	Sergeant	B Team
Heather	Grant	Corporal	B Team
Sheila	Banks	Officer	B Team
Tyrone J	Cohen	Officer	B Team
Letitia	Dupree	Officer	B Team
Tony D	Gainer	Officer	B Team
Christopher M	Gaskins	Officer	B Team
Miranda B	Gormus	Officer	B Team
Anjelica D	Hall	Officer	B Team
Derek S	McCray	Officer	B Team
Linda R	Midgett	Officer	B Team
Casey T	Owens	Officer	B Team
Tiesha P	Perry	Officer	B Team
Darry Lee	Rawlings	Officer	B Team
George M	Smith IV	Officer	B Team
Tilden D	Steele	Officer	B Team
Gianni M	Stephenson	Officer	B Team
Curtis R	Taylor	Officer	B Team
John W	Whedbee Jr	Officer	B Team
Sandra V	Wiggins	Officer	B Team
Hope D	Woodhouse	Officer	B Team
Charles F	Porter	Lieutenant	C Team
Ebony F	Hamlin	Sergeant	C Team
Joshua	Humphrey	Sergeant	C Team
William Demond	Brinkley	Corporal	C Team
Danielle	Harrison	Corporal	C Team
Gary W	Brown	Officer	C Team
Steven Edward	Burgung	Officer	C Team
Sacha L	Cheeseboro	Officer	C Team
Shoubeir	Delphin	Officer	C Team
William Henry	Elliott	Officer	C Team
Richard B	Germ	Officer	C Team
NeKisha L	Goodman	Officer	C Team
Evelyn C	Harper	Officer	C Team
Courtney D	Heath	Officer	C Team
Sidney A	Holland	Officer	C Team

Principal Officials

First Name	Last Name	Rank/Title	Team
Aric L	James	Officer	C Team
Marketta	Matthews	Officer	C Team
Ashley M	Murphy	Officer	C Team
LaShawn D	Nedd	Officer	C Team
Mary S	Person	Officer	C Team
Ciera R	Riddick	Officer	C Team
RaShawn J	Scott	Officer	C Team
Aleyshia D	Stallings	Officer	C Team
Kimberly Y	Wells	Officer	C Team
Virgil M	Williams	Officer	C Team
Francine	Pryear	Lieutenant	D Team
Victor Pierre	Branch	Sergeant	D Team
Melissa A	Veale	Sergeant	D Team
Maranda	Riddick	Corporal	D Team
Demetric R	Poyner	Corporal	D Team
Tammie M	Bailey	Officer	D Team
Dale E	Barter	Officer	D Team
Laura L	Bryant	Officer	D Team
Robin R	Cotton	Officer	D Team
Mendeces A	Drake	Officer	D Team
Jalin T	Green	Officer	D Team
Meredith A	Hollingsworth	Officer	D Team
Drake S	Jacobs	Officer	D Team
Charles A	Johnson	Officer	D Team
Tonya L	Marafka	Officer	D Team
Diamond S	Maxwell	Officer	D Team
Maurice	McRae	Officer	D Team
Johnny E	Navarro	Officer	D Team
Jiminez J	Neclos	Officer	D Team
Kenneth C	Roberts	Officer	D Team
Thomas E	Scotting	Officer	D Team
Diane	Vincent	Officer	D Team
Linda	Hunter	Officer	Recreation
Hilbert Lee	Twine Jr	Lieutenant	Training
Joshua L	Bower	Sergeant	Training
Yolanda	Britt	Officer	Transportation
Tyrone L	Kates	Officer	Transportation
Jonathan	Lant	Officer	Transportation
Grady	Massenburg III	Lieutenant	Transportation
Darlito V	Cardenas	Sergeant	Transportation
Shawneeque	Richardson	Officer	Transportation
David	Barnett	Officer	Transportation
Sherrie M	Davis	Officer	Transportation
Monica D	Hall	Officer	Transportation
Tornoria N	Harris	Officer	Transportation
Michael	Humphrey	Officer	Transportation
Christopher G	Purcell	Officer	Transportation

Principal Officials

First Name	Last Name	Rank/Title	Team
Alfred R	Lenyoun	Captain	Treatment
Leon	Dupree	Lieutenant	Booking
William Horace	Hutchings	Sergeant	Booking
Lisa R	Griffin	Corporal	Booking - A Team
Zella M	Everett	Officer	Booking - A Team
Garry W	Kates	Officer	Booking - A Team
Revonda N	Daily	Corporal	Booking - B Team
Gerald	Bigelow	Officer	Booking - B Team
Shadava	Boone	Officer	Booking - B Team
Shinese M	Thompkins	Officer	Booking - B Team
Ann M	Gormus	Corporal	Booking - C Team
Joseph	Brooks	Officer	Booking - C Team
Shenika S	Hicks	Officer	Booking - C Team
LePrince T	Hooper	Officer	Booking - C Team
Kristin	Simmons	Corporal	Booking - D Team
Korman K	Butler Jr	Officer	Booking - D Team
Brenda L	Holmes	Officer	Booking - D Team
Jimmy L	Walker	Officer	Booking - D Team
Gilbert	Palacios	Officer	Booking – D Team
John Lee	Gotterup	Lieutenant	Classification
Arthur G	Miller	Sergeant	Classification
Cheryl Lynn	Palacios	Corporal	Classification
Jacquelyn	Brown	Officer	Classification
Korman K	Butler	Civilian	Classification
Angela W	Smith	Officer	Classification
Ronnie Earl	Sharpe	Education	Education Director
Faye C	Kigler	Officer	Mail Room
Brittney N	Hailes	Corporal	Property
James D	Buie Jr	Officer	Property
Donna T	Powell	Officer	Recreation
Jacqueline B	Todd	Officer	Recreation
Sylvia	Diggs	Administrative Assistant	Treatment
Sarah C	Vargo	Lobby Clerk	Treatment
Michael W	Whalen	Lieutenant	Work Release
Patricia	Wilson	Sergeant	Work Release
Kenneth E	Colleran	Officer	Work Release
Gregory Leon	Crandol	Officer	Work Release
Ralph W	Rhodes	Officer	Work Release

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

October 10, 2017

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, 2017 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 2017. 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 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. Marshall's 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 Marshall Service must maintain a population of 75 inmates. We currently house between 160 and 200 USMS inmates.

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 $75.00 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 reduced by revenues from the Federal Government, the State of Virginia, and Inmate programs such as Work Release, Commissions from Inmate Programs, and from Room & Board and Medical Copays from the inmates is divided by the jurisdictions based on a 3 year running average of inmate population. 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 allows 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 plans to implement a Capital Budget, Capital Improvement Plan and submit for the Distinguished Budget Presentation Award for the upcoming budget.

Operating Revenues exceeded budget slightly by $396k or 2.54% while Expenses exceeded budget by $445k or 3.10%. 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 $1,864k. Most categories or groupings of both revenues and expenses came in at under 10% variance except for:

1. Federal Revenues (for United States Marshall Service)	33.94% over budget
2. Inmate Revenues (Room & Board, Work Release Revenues, Commissions from various inmate programs)	47.95% over budget
3. Employee Health Insurance	16.46% over budget
4. Inmate Medical Expenses (due to the cost of Mental Health but RFP has been issued for new Mental Health Services. Medical has been almost completely reorganized and we have seen some costs go up but more go down with a tremendous increase in service and better medical care for the inmates)	21.55% over budget
5. Office Expenses (we rebid some office supply contracts, office equipment rental, and are finishing up with the last parts of the new IT infrastructure)	32.99% over budget

Information Useful in Assessing Economic Condition: (Continued)

6. Utilities (thanks to the improvements in our Performance Contract, we have seen dramatic reductions in water especially but reductions in all utilities	34.53% under budget
7. Vehicle Expense (with an increased concentration on maintaining our vehicles better, we incurred additional costs)	31.12% over budget
8. Officer Expenses (we renovated the armory this year and are still outfitting our officers with their new style of uniforms)	64.03% over budget

This was the Authority's third 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 FY2017, 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 not used in FY2017 but will be created for FY2018 as we define and enhance our accounting system and departmental roles.

Items of Note:

1. We have implemented new computer systems for most of the jail including a new jail management system, Interact's JailTracker, a new inmate accounting program, Techfriend's Lockdown, and our first electronic medical records system for the inmates, CorEMR. In addition to the computer systems, we have or are in the process of implementing a number of auxiliary programs and services including, Guardian RFID wrist bands (this system can track an inmate anywhere in the facility), a new inmate property system, and a tablet program (this will eliminate in-bound mail by using a scanning service to scan all mail which will eliminate the possibility of restricted items often hidden in cards or artwork from entering the facility) that will include educational, informational, recreational, and entertainment applications as well as allowing us to look at offering video visitation.

2. We continue to have a strong working relationship with the United States Marshall Service, Immigration and Customs Enforcement, and the Bureau of Prisons. We expect this relationship to continue and improve in 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 was conducted in July 2016 and the Authority was in 100% compliance with applicable standards.

Major Initiatives - Outside Compliance Audits: (Continued)

The United States Marshals Service continued to grant unconditional certification to the Authority following its annual inspections of the facility with 100% compliance. The USMS audit was completed in May 2016.

The last Federal Bureau of Prisons inspection was conducted in April 2017 for BOP and the Authority was in 100% compliance with applicable standards.

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 new medical program, we have attained our Pharmacy Registration from the Board of Pharmacy for the State of Virginia in February 2017.

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: 2016 - 2017

Special Education 15 (Teaching individuals with IEP's or Special Needs)

Transition 10 (Teaching inmates not fitting normal criteria Ex. Low reading ability but not Special Ed.)

General Education 72 - Earned GED's 8

Career Education 105 (Focuses on Careers, Health, Interviewing process, History, etc.)

Career Readiness Certificate 7 (Preparing inmates for Workforce Skills)

Alcoholics Anonymous 90 (Focuses on recovery and detoxification)

Substance abuse 468 (Provide treatment methods to help overcome addictive symptoms)

Anger Management 451(Understanding life triggers and how to deal with them)

Community Health 85 (Teaches prevention/recognition of venereal diseases and STD's)

Seeking Safety 286 (Understanding beginning trauma & coping with them)

Re-Entry – Life Skills 184 males and 20 females (Preparing inmates for readjustment into society)

Re-Entry Pathways From bondage 50 (Building resumes', Identifying needs for release into society)

Re-Entry Mobil Counseling 65 (Assist Individuals with mental health issues even upon release)

Major Initiatives Inside Programs to Reduce Recidivism: (Continued)

Parenting 568 (Teaches inmates the proper way to motivate and discipline youthful children)

Females Building Bridges 96 (Reconnecting mother and child through recorded readings of baby books)

Women Empowerment Workshop 73 (Helping women to believe in themselves – decision making)

Building Resilience in the Community "BRC" 45 – Building Self-esteem and Fortitude

BOOM 82 Domestic Violence on Women

Juvenile Life Skills/Gang Prevention 77 (Teaches the youth coping skills and better decision making and effects of various topics: gang violence, interviewing process)

Juvenile Mental Health 40 (Group counseling sessions)

Trauma 20 (Returning Class) Exploring the extreme stress or PTSD of the past and developing coping skills.

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.

Enterprise Fund Operations: (Continued)

In March 2015, WTRJ entered into 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 costs the jail no dollars as a twenty five dollar fee is added to the balance owed to the jail. So far, WTRJ has seen some positive results from this program and looks forward to containing the relationship. The jail did investigate using a collection agency as a final step after Pay-My-Jailor but decided against it because the costs were so high and the possibility of collecting monies so low as to make the proposition uneconomical. The program is still in place and we still see results from it although not as robust as when we first started. This continues to be productive in 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, 2017.

The auditor's report, which includes their opinion on the financial statements of the Authority, is presented in this report on pages 13-14.

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	E B Wertheimer IV, CPA **E.B. "Tim" Wertheimer IV, CPA**
Superintendent	**Director of Administration & Support**

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, 2016

Executive Director/CEO

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, 2017, 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, 2017, 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.

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 funding on pages 19-22 and 59-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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 October 6, 2017, 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 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 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, Farmer, Cox Associates

Charlottesville, Virginia
October 6, 2017

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, 2017. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position decreased by $81 thousand or 1.8% during the year ended June 30, 2017 as compared to an increase of approximately $351 thousand or 8.7% during the year ended June 30, 2016. Operating revenues showed a decrease of 1.3% during the year compared to an increase of 10.9% in 2016, while operating expenses reflected a modest increase of 1.2% over the prior year, slightly lower than the 3.1% increase in fiscal year 2016.

- The Authority's long-term debt decreased by $603,964 due to the payment of principal due on bonds and payoff of vehicle loans.

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 $81 thousand. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities:

	2017	2016	Amount Change	% Change
Current and other assets	$ 2,932,626	$ 2,500,033	$ 432,593	17.3%
Capital assets	12,280,746	13,648,221	(1,367,475)	-10.0%
Total assets	$ 15,213,372	$ 16,148,254	$ (934,882)	-5.8%
Deferred outflows of resources	$ 1,560,720	$ 942,617	$ 618,103	100.0%
Long-term liabilities	$ 10,936,162	$ 10,616,603	$ 319,559	3.0%
Current liabilities	1,365,856	1,489,094	(123,238)	-8.3%
Total liabilities	$ 12,302,018	$ 12,105,697	$ 196,321	1.6%
Deferred inflows of resources	$ 188,852	$ 621,304	$ (432,452)	100.00%
Net position:				
Net investment in capital assets	$ 3,672,089	$ 4,435,600	$ (763,511)	-17.2%
Restricted	59,716	202,947	(143,231)	-70.6%
Unrestricted	551,417	(274,677)	826,094	-300.8%
Total net position	$ 4,283,222	$ 4,363,870	$ (80,648)	-1.8%

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 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:

	2017	2016	Amount Change	% Change
Operating revenues	$ 16,314,344	$ 16,523,469	$ (209,125)	-1.3%
Operating expenses	16,172,391	15,973,946	198,445	1.2%
Net operating income (loss)	$ 141,953	$ 549,523	$ (407,570)	-74.2%
Nonoperating revenues (expenses), net	$ (222,601)	$ (198,800)	$ (23,801)	12.0%
Change in net position	$ (80,648)	$ 350,723	$ (431,371)	-123.0%
Net position, beginning of year	4,363,870	4,013,147	350,723	8.7%
Net position, end of year	$ 4,283,222	$ 4,363,870	$ (80,648)	-1.8%

Operating revenues decreased by 1.3% in 2017 compared to a 10.9% increase in 2016, mainly attributed to a decrease of $235,175 or 3.7% in revenues from the Commonwealth. In fiscal year 2015, a decline in federal population led to a $749,416 or 26.5% decrease in federal revenues, which rebounded with an increase of $1,017,609 or 62.5% in federal revenues in fiscal year 2016. Member revenues, determined during the budget process and based on a running average of housing numbers for the prior three years, remained constant in 2017.

Operating expenses increased by 1.2% compared to 2016, mainly attributable to an increase in personnel costs and related benefits and depreciation. Conversely, medical supplies and services and utilities decreased by $349,721 and $545,853, respectively. Energy upgrades completed in fiscal year 2016 reduced utilities expenses, as projected.

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

	2017	2016	Amount Change	% Change
Cash flows provided by (used for):				
Operating activities	$ 1,736,574	$ 1,544,568	$ 192,006	12.4%
Noncapital and related financing activities	9,000	9,000	-	100.0%
Capital and related financing activities	(1,349,793)	(460,017)	(889,776)	193.4%
Investing activities	7,201	9,234	(2,033)	-22.0%
Net increase (decrease) in cash and cash equivalents	$ 402,982	$ 1,102,785	$ (699,803)	-63.5%
Cash and cash equivalents, beginning of year	1,637,543	534,758	1,102,785	206.2%
Cash and cash equivalents, end of year	$ 2,040,525	$ 1,637,543	$ 402,982	24.6%

FINANCIAL ANALYSIS – ENTERPRISE FUNDS: (CONTINUED)

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. Similar to 2015 and 2016, there was a positive flow of cash from operating activities and an increase over 2016. 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. The $889,776 increase in cash spent is the result of the increased principal and interest payments on debt required for the performance contract funding.

Cash flows from investing activities include interest and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the Authority had $12.3 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 $1,367,475 represents equipment and vehicles capitalized during the year offset by depreciation expense of $1,801,747.

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

	2017	2016
Land	$ 37,455	$ 37,455
Construction in progress	-	207,752
Building and improvements	9,426,581	10,691,461
Land improvements	151,573	176,835
Machinery and equipment	2,440,689	2,429,812
Office furniture	224,448	104,906
Net capital assets	$ 12,280,746	$ 13,648,221

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

Capital Financing Debt

At year-end, the Authority had $3.9 million in revenue bonds outstanding and $4.7 million outstanding related to the new energy performance contract bond. Three vehicle loans were paid off during the year and no new loans were obtained. 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.

Basic Financial Statements

Exhibit 1

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Net Position
As of June 30, 2017

	Operating Fund	Canteen Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 1,999,735	$ 40,790	$ 2,040,525
Accounts receivable	11,509	49,263	60,772
Internal balances	997	(997)	-
Due from other governmental units	782,333	-	782,333
Prepaids	48,996	-	48,996
Total current assets	$ 2,843,570	$ 89,056	$ 2,932,626
Noncurrent Assets:			
Capital assets (net of accumulated depreciation):			
Land	$ 37,455	$ -	$ 37,455
Land improvements	151,573	-	151,573
Building and improvements	9,426,581	-	9,426,581
Machinery and equipment	2,440,689	-	2,440,689
Office furniture	224,448	-	224,448
Total capital assets	$ 12,280,746	$ -	$ 12,280,746
Total noncurrent assets	$ 12,280,746	$ -	$ 12,280,746
Total assets	$ 15,124,316	$ 89,056	$ 15,213,372
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	$ 923,023	$ -	$ 923,023
Items related to measurement of net pension liability	637,697	-	637,697
Total deferred outflows of resources	$ 1,560,720	$ -	$ 1,560,720
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 347,923	$ 29,340	$ 377,263
Accrued liabilities	7,615	-	7,615
Accrued interest payable	93,805	-	93,805
Long-term liabilities, current portion	680,853	-	680,853
Unearned revenue	206,320	-	206,320
Total current liabilities	$ 1,336,516	$ 29,340	$ 1,365,856
Noncurrent Liabilities:			
Long-term liabilities, net of current portion	$ 10,936,162	$ -	$ 10,936,162
Total noncurrent liabilities	$ 10,936,162	$ -	$ 10,936,162
Total liabilities	$ 12,272,678	$ 29,340	$ 12,302,018
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	$ 188,852	$ -	$ 188,852
NET POSITION			
Net investment in capital assets	$ 3,672,089	$ -	$ 3,672,089
Restricted for inmates	-	59,716	59,716
Unrestricted	551,417	-	551,417
Total net position	$ 4,223,506	$ 59,716	$ 4,283,222

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, 2017

	Operating Fund	Canteen Fund	Total
Operating Revenues:			
Commonwealth	$ 6,140,870	$ -	$ 6,140,870
Federal	2,946,669	-	2,946,669
City of Suffolk	4,364,037	-	4,364,037
City of Franklin	921,980	-	921,980
Isle of Wight County	860,514	-	860,514
Telephone commissions	387,110	-	387,110
Room and board	104,772	-	104,772
Work release and weekenders	239,556	-	239,556
Canteen commissions	-	176,715	176,715
Miscellaneous	172,121	-	172,121
Total operating revenues	$ 16,137,629	$ 176,715	$ 16,314,344
Operating Expenses:			
Personnel costs	$ 7,141,965	$ 79,621	$ 7,221,586
Fringe benefits	2,323,268	21,697	2,344,965
Payroll taxes	540,146	6,032	546,178
Medical supplies and services	1,190,674	-	1,190,674
Utilities	711,616	-	711,616
Repairs and maintenance	150,004	-	150,004
Insurance	21,623	-	21,623
Contractual services	1,441,143	144,694	1,585,837
Vehicle expenses	78,670	-	78,670
Administrative	246,150	-	246,150
Inmate supplies	78,565	22,336	100,901
Inmate support	-	45,566	45,566
Officer expenses	116,615	-	116,615
Miscellaneous	10,259	-	10,259
Depreciation	1,801,747	-	1,801,747
Total operating expenses	$ 15,852,445	$ 319,946	$ 16,172,391
Net operating income (loss)	$ 285,184	$ (143,231)	$ 141,953
Nonoperating Revenues (Expenses):			
Interest income	$ 7,201	$ -	$ 7,201
Rental income	9,000	-	9,000
Interest expense	(238,802)	-	(238,802)
Net nonoperating revenues (expenses)	$ (222,601)	$ -	$ (222,601)
Change in net position	$ 62,583	$ (143,231)	$ (80,648)
Net position, beginning of year	4,160,923	202,947	4,363,870
Net position, end of year	$ 4,223,506	$ 59,716	$ 4,283,222

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

Exhibit 3

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2017

	Operating Fund	Canteen Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 15,882,980	$ 198,169	$ 16,081,149
Other operating revenue	172,121	-	172,121
Payments to suppliers	(4,061,220)	(289,120)	(4,350,340)
Payments to and for employees	(9,518,860)	(101,318)	(9,620,178)
Payments to agencies	(540,146)	(6,032)	(546,178)
Total cash flows provided by (used for) operating activities	$ 1,934,875	$ (198,301)	$ 1,736,574
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	$ (434,272)	$ -	$ (434,272)
Principal paid on long-term liabilties	(603,964)	-	(603,964)
Interest paid on long-term liabilities	(311,557)	-	(311,557)
Total cash flows provided by (used for) capital and related financing activities	$ (1,349,793)	$ -	$ (1,349,793)
Cash flows from investing activities:			
Interest income	$ 7,201	$ -	$ 7,201
Total cash flows provided by (used for) investing activities	$ 7,201	$ -	$ 7,201
Net increase (decrease) in cash and cash equivalents	$ 601,283	$ (198,301)	$ 402,982
Cash and cash equivalents, beginning of year	1,398,452	239,091	1,637,543
Cash and cash equivalents, end of year	$ 1,999,735	$ 40,790	$ 2,040,525
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ 285,184	$ (143,231)	$ 141,953
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,801,747	-	1,801,747
Changes in assets, liabilities, and deferred outflows and inflows of resources:			
Accounts receivable	3,130	20,457	23,587
Internal balances	(997)	997	-
Due from other governmental units	(23,941)	-	(23,941)
Prepaids	(30,507)	1,250	(29,257)
Pension contributions subsequent to measurement date	19,594	-	19,594
Deferred outflows of resources - pension related	(637,697)	-	(637,697)
Accounts payable	14,606	(77,774)	(63,168)
Accrued liabilities	2,080	-	2,080
Compensated absences	73,021	-	73,021
Net pension liability	921,827	-	921,827
Deferred inflows of resources - pension related	(432,452)	-	(432,452)
Unearned revenue	(60,720)	-	(60,720)
Total cash flows provided by (used for) operating activities	$ 1,934,875	$ (198,301)	$ 1,736,574
Noncash investing, capital, and financing activities:			
Disposal of boiler	$ 21,000	$ -	$ 21,000

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

Exhibit 4

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

FIDUCIARY FUNDS

Statement of Fiduciary Net Position
As of June 30, 2017

		Agency Funds
ASSETS		
Cash	$	145,089
LIABILITIES		
Accounts Payable - Canteen Fund	$	49,263
Accounts Payable - Operating Fund		9,771
Amounts held for inmate benefits		82,391
Amounts held for employee benefits		3,664
Total liabilities	$	145,089

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

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 outflows 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.

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

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.

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, 2017.

Similar to FY15 and FY16, the Authority is under the reserve account requirements per policy. 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 fiscal year 2016, the budget included the 2% reserve line item and the reserves account balance increased by a total of $222,593, which remains short of the 10% operating expenses and 3-month medical reserves requirements.

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 $238,802 was incurred during fiscal year 2017, none of which was capitalized.

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

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.

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. 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 related items that qualify for reporting in this category. One item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. Certain other items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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 one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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

I. 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.

J. 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.

K. 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, 2017, the Authority held no investments.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from Commonwealth of Virginia:		
Compensation Board	$	433,739
DOC medical billings		60,645
Due from Federal Government:		
US Marshals - Norfolk		284,924
US Marshals - Other		495
Bureau of Prisons		2,530
Total due from other governmental units	$	782,333

NOTE 5 – CAPITAL ASSETS:

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

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 37,455	$ -	$ -	$ 37,455
Construction in progress	207,752	-	207,752	-
Total capital assets not being depreciated	$ 245,207	$ -	$ 207,752	$ 37,455
Capital assets being depreciated:				
Building and improvements	$ 30,355,664	$ 207,752	$ -	$ 30,563,416
Land improvements	757,863	-	-	757,863
Machinery and equipment	2,808,945	281,520	21,000	3,069,465
Office furniture	115,130	152,752	-	267,882
Total capital assets being depreciated	$ 34,037,602	$ 642,024	$ 21,000	$ 34,658,626
Accumulated depreciation:				
Building and improvements	$ 19,664,203	$ 1,472,632	$ -	$ 21,136,835
Land improvements	581,028	25,262	-	606,290
Machinery and equipment	379,133	270,643	21,000	628,776
Office furniture	10,224	33,210	-	43,434
Total accumulated depreciation	$ 20,634,588	$ 1,801,747	$ 21,000	$ 22,415,335
Total capital assets being depreciated, net	$ 13,403,014	$ (1,159,723)	$ -	$ 12,243,291
Net capital assets	$ 13,648,221	$ (1,159,723)	$ 207,752	$ 12,280,746

Depreciation amounted to $1,801,747 at June 30, 2017.

NOTE 6 - 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 2017 were $747,046.

NOTE 7 - 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 $792,490 at June 30, 2017 and considers 10% of the balance to be a current liability.

NOTE 8 - 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%. 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%.

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 $280,000 on August 7, 2030 at an interest rate of 3.06%.

On February 9, 2016, the Authority obtained loans in the amounts of $34,335 and $40,981 to purchase two vehicles. The loans are to be repaid in 36 monthly installments of $998 and $1,192, respectively. Interest is charged at 2.95%. Loan proceeds were used to purchase a Ford 250 and Ford Expedition in February 2016. These loans were paid off in fiscal year 2017.

NOTE 8 - LONG-TERM LIABILITIES: (continued)

On June 13, 2016, the Authority obtained a loan in the amount of $41,000 to purchase a Ford Expedition. The loan is to be repaid in 36 monthly installments of $1,192. Interest is charged at 2.95%. The vehicle was purchased in September 2016 and the loan was paid off in fiscal year 2017.

As of June 30, 2017, the Authority's bonds consisted of the following:

Year Issued	Description	Interest Rate	Amount Outstanding
2014	Revenue and Refunding Bond - Series 2014A	1.320%	$ 707,000
2014	Revenue and Refunding Bond - Series 2014B	2.580%	3,226,000
2016	Energy Performance Contract Bond	3.060%	4,675,657

Following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017	Amount Due Within One Year
Revenue and refunding bonds	$ 4,326,000	$ -	$ 393,000	$ 3,933,000	$ 399,000
Energy performance contract bond	4,782,376	-	106,719	4,675,657	202,604
Vehicle loans	104,245	-	104,245	-	-
Compensated absences	719,469	182,025	109,004	792,490	79,249
Net pension liability	1,294,041	2,837,823	1,915,996	2,215,868	-
Total long-term liabilities	$ 11,226,131	$ 3,019,848	$ 2,628,964	$ 11,617,015	$ 680,853

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

	Revenue and Refunding Bonds		Energy Performance Contract Bond	
June 30,	Principal	Interest	Principal	Interest
2018	$ 399,000	$ 89,627	$ 202,604	$ 141,525
2019	405,000	83,710	219,596	135,196
2020	413,000	75,401	237,434	128,339
2021	424,000	64,603	244,149	121,023
2022	435,000	53,522	290,092	113,200
2023-2027	1,857,000	97,331	1,799,917	416,315
2028-2031	-	-	1,681,865	106,868
Totals	$ 3,933,000	$ 464,194	$ 4,675,657	$ 1,162,466

NOTE 9 – 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**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. Employees are eligible for 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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 9 - PENSION PLAN: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td></td><td></td><td>• 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.</td></tr>
<tr><td>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.

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.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>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.

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.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• 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.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td></tr>
</table>

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	**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.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** 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. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. **Defined Contributions Component:** 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. Members are always 100% vested in the contributions that they make.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** 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. • 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. Distribution is not required by law until age 70½.
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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
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%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **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.	**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. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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. **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.	**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. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **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. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTE 9 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. **Eligibility:** 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. 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.	**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%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • 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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 9 – 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

NOTE 9 – PENSION PLAN: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	68
Inactive members:	
Vested inactive members	15
Non-vested inactive members	62
Inactive members active elsewhere in VRS	60
Total inactive members	137
Active members	162
Total covered employees	367

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 contribution rate for the year ended June 30, 2017 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 $923,023 and $942,618 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTE 9 – PENSION PLAN: (continued)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

NOTE 9 – PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-LEOS: (Continued)
Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

NOTE 9 – PENSION PLAN: (continued)

Actuarial Assumptions – Public Safety Employees: (continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 9 – PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

NOTE 9 – 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, 2018, 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, 2018 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, 2015	$ 24,655,515	$ 23,361,474	$ 1,294,041
Changes for the year:			
Service cost	$ 1,133,475	$ -	$ 1,133,475
Interest	1,689,978	-	1,689,978
Differences between expected and actual experience	(207,853)	-	(207,853)
Contributions - employer	-	938,533	(938,533)
Contributions - employee	-	347,325	(347,325)
Net investment income	-	422,285	(422,285)
Benefit payments, including refunds of employee contributions	(1,025,953)	(1,025,953)	-
Administrative expenses	-	(14,194)	14,194
Other changes	-	(176)	176
Net changes	$ 1,589,647	$ 667,820	$ 921,827
Balances at June 30, 2016	$ 26,245,162	$ 24,029,294	$ 2,215,868

NOTE 9 – PENSION PLAN: (continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability (Asset)	$ 5,648,586	$ 2,215,868	$ (646,449)

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

For the year ended June 30, 2017, the Authority recognized pension expense of $794,295. At June 30, 2017, 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	$ -	$ 188,852
Net difference between projected and actual earnings on pension plan investments	637,697	
Employer contributions subsequent to the measurement date	923,023	-
Total	$ 1,560,720	$ 188,852

$923,023 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, 2018. 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	
2018	$ (56,390)
2019	(51,735)
2020	312,646
2021	244,324
Thereafter	-

NOTE 10 - 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 $18,000 per year for employees under 50 years of age and $24,000 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 11 - 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.

NOTE 12 – ECONOMIC DEPENDENCE:

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

NOTE 13 – 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 14 – 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 percent 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, 2017.

NOTE 15 - 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 $206,320 at June 30, 2017.

- Required Supplementary Information -

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Exhibit 5

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, 2017

	2016	2015	2014
Total pension liability			
Service cost	$ 1,133,475	$ 1,030,439	$ 1,030,092
Interest	1,689,978	1,577,173	1,456,525
Differences between expected and actual experience	(207,853)	(79,923)	-
Benefit payments, including refunds of employee contributions	(1,025,953)	(806,430)	(719,710)
Net change in total pension liability	$ 1,589,647	$ 1,721,259	$ 1,766,907
Total pension liability - beginning	24,655,515	22,934,256	21,167,349
Total pension liability - ending (a)	$ 26,245,162	$ 24,655,515	$ 22,934,256
Plan fiduciary net position			
Contributions - employer	$ 938,533	$ 898,305	$ 989,437
Contributions - employee	347,325	326,368	320,817
Net investment income	422,285	1,018,499	2,954,712
Benefit payments, including refunds of employee contributions	(1,025,953)	(806,430)	(719,710)
Administrative expense	(14,194)	(13,325)	(15,253)
Other	(176)	(216)	156
Net change in plan fiduciary net position	$ 667,820	$ 1,423,201	$ 3,530,159
Plan fiduciary net position - beginning	23,361,474	21,938,273	18,408,114
Plan fiduciary net position - ending (b)	$ 24,029,294	$ 23,361,474	$ 21,938,273
Authority's net pension liability - ending (a) - (b)	$ 2,215,868	$ 1,294,041	$ 995,983
Plan fiduciary net position as a percentage of the total pension liability	91.56%	94.75%	95.66%
Covered payroll	$ 6,766,817	$ 6,456,217	$ 6,290,626
Authority's net pension liability as a percentage of covered payroll	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
For the Years Ended June 30, 2008 through June 30, 2017

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)
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%
2008	640,860	640,860	-	5,265,899	12.17%

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, 2016 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

- Other Supplementary Information -

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Exhibit 8

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Inmate Fund				
Assets:				
Cash	$ 143,167	$ 1,122,209	$ 1,142,440	$ 122,936
Liabilities:				
Amounts held for inmate benefits	$ 61,118	$ 1,063,175	$ 1,060,391	$ 63,902
Accounts Payable - Canteen Fund	69,720	49,263	69,720	49,263
Accounts Payable - Operating Fund	12,329	9,771	12,329	9,771
Total liabilities	$ 143,167	$ 1,122,209	$ 1,142,440	$ 122,936
Work Release Fund				
Assets:				
Cash	$ 70,556	$ 355,653	$ 407,720	$ 18,489
Liabilities:				
Amounts held for inmate benefits	$ 70,556	$ 355,653	$ 407,720	$ 18,489
Employee Wellness Funds				
Assets:				
Cash	$ 8,422	$ 3,500	$ 8,258	$ 3,664
Liabilities:				
Amounts held for employee benefits	$ 8,422	$ 3,500	$ 8,258	$ 3,664
TOTALS:				
Assets:				
Cash	$ 222,145	$ 1,481,362	$ 1,558,418	$ 145,089
Liabilities:				
Accounts Payable - Canteen Fund	$ 69,720	$ 49,263	$ 69,720	$ 49,263
Accounts Payable - Operating Fund	12,329	9,771	12,329	9,771
Amounts held for inmate benefits	131,674	$ 1,418,828	1,468,111	82,391
Amounts held for employee benefits	8,422	3,500	8,258	3,664
Total liabilities	$ 222,145	$ 1,481,362	$ 1,558,418	$ 145,089

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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.

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Net Position - By Component
Last Ten Years

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

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Changes in Net Position
Last Ten Years

	Fiscal Year					
	2017	2016	2015	2014	2013	2012
Operating revenues:						
Commonwealth	$ 6,140,870	$ 6,155,431	$ 6,179,880	$ 5,810,750	$ 4,756,098	$ 4,541,671
Federal	2,946,669	3,101,294	2,083,685	2,833,101	3,774,744	3,970,299
City of Suffolk	4,364,037	4,303,091	3,797,045	2,588,491	2,588,491	2,575,604
City of Franklin	921,980	922,091	851,235	570,990	570,990	522,586
Isle of Wight County	860,514	922,091	909,852	647,123	647,123	634,569
Other localities	-	-	-	1,780	-	-
Telephone commissions	387,110	360,000	360,000	368,251	405,313	-
Room and board	104,772	135,209	168,412	163,366	157,286	133,339
Work release and weekenders	239,556	271,372	192,203	167,553	88,898	63,559
Canteen commissions	176,715	259,695	240,277	161,090	179,900	175,280
Miscellaneous	172,121	93,195	112,653	84,971	66,859	389,974
Total operating revenues	$ 16,314,344	$ 16,523,469	$ 14,895,242	$ 13,397,466	$ 13,235,702	$ 13,006,881
Operating expenses:						
Personnel costs	$ 7,221,586	$ 6,981,093	$ 6,509,641	$ 5,677,615	$ 5,695,977	$ 5,637,268
Fringe benefits	2,344,965	1,794,957	1,547,630	2,697,823	2,651,609	2,309,546
Payroll taxes	546,178	518,321	508,084	469,540	460,254	455,352
Medical supplies and services	1,190,674	1,540,395	2,030,054	1,423,268	1,309,019	979,139
Food purchases and kitchen supplies			-	-	896,146	793,890
Utilities	711,616	1,257,469	1,284,077	1,246,525	1,140,506	1,025,980
Repairs and maintenance	150,004	212,612	211,612	483,716	494,220	511,229
Insurance	21,623	20,400	83,835	91,471	100,997	145,304
Contractual services	1,585,837	1,605,288	1,453,141	1,086,299	216,712	155,724
Other supplies	-	-	-	-	110,054	87,277
Vehicle expenses	78,670	51,331	56,235	61,787	-	-
Administrative	246,150	191,112	155,560	102,796	138,284	105,161
Inmate supplies	100,901	101,472	105,414	48,553	41,611	34,751
Inmate support	45,566	117,951	49,365	232,381	75,633	209,511
Officer expenses	116,615	98,705	65,535	38,648	24,057	38,998
Miscellaneous	10,259	3,089	500	4,292	42,283	66,034
Depreciation	1,801,747	1,479,751	1,426,686	1,470,947	1,419,522	1,218,949
Total operating expenses	$ 16,172,391	$ 15,973,946	$ 15,487,369	$ 15,135,661	$ 14,816,884	$ 13,774,113
Net operating income (loss)	$ 141,953	$ 549,523	$ (592,127)	$ (1,738,195)	$ (1,581,182)	$ (767,232)
Nonoperating revenues (expenses)						
Interest income	$ 7,201	$ 9,234	$ 5,384	$ 2,663	$ 7,603	$ 991
Rental income	9,000	9,000	-	-	-	-
Gain (loss) on disposal of capital assets	-	(19,117)	(261,637)	4,107	4,151	60
Costs of issuance	-	(97,626)	-	(53,600)	-	-
Interest and fiscal charges	(238,802)	(100,291)	(106,099)	(176,544)	(201,920)	(179,188)
Net nonoperating revenues (expenses)	$ (222,601)	$ (198,800)	$ (362,352)	$ (223,374)	$ (190,166)	$ (178,137)
Change in net position	$ (80,648)	$ 350,723	$ (954,479)	$ (1,961,569)	$ (1,771,348)	$ (945,369)

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

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
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
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

Fiscal Year	Commonwealth Reimbursement	Commonwealth Per Diems	Commonwealth Medical Reimb	Total from Commonwealth	Member Per Diems
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

Federal	Work Release & Weekenders	Telephone Commissions	Room & Board	Inmates Commissary	Miscellaneous Revenues	Total Revenues
$ 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

TABLE 6

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	Total	Annual Personal Income (1)	Ratio of Debt to Personal Income	Population (1)	Debt Per Capita
2017	$ 3,933,000	$ 4,675,657	$ -	$ -	$ 8,608,657	$ Unavailable	Unavailable	$ Unavailable	$ Unavailable
2016	4,326,000	4,782,376	-	104,245	9,212,621	Unavailable	Unavailable	137,393	67.05
2015	4,713,000	-	53,473	39,022	4,805,495	6,960,274	69%	135,399	35.49
2014	5,120,000	-	111,806	60,228	5,292,034	6,604,786	80%	132,563	39.92
2013	5,546,000	-	170,139	-	5,716,139	6,147,971	93%	131,580	43.44
2012	6,048,000	-	-	-	6,048,000	6,106,619	99%	130,711	46.27

(1) Total for members - from table 8.

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

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
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.

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
2016	$ Unavailable	$ Unavailable	$ Unavailable	$ Unavailable
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
2016	$ Unavailable	$ Unavailable	$ Unavailable	$ Unavailable
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
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
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 2016			Calendar Year 2014		
City of Suffolk			**City of Suffolk**		
Rank	**Employer**	**Employees**	**Rank**	**Employer**	**Employees**
1	Suffolk Public Schools	2,021	1	Suffolk Public Schools	1,780
2	Navy Information Dominance Forces (Cyber Forces)	1,500	2	Navy Information Dominance Forces (Cyber Forces)	1,500
3	City of Suffolk	1,315	3	Sentara Health System	1,300
4	J7 Joint Staff	1,200	4	J7 Joint Staff	1,200
5	Sentara Health System	1,061	5	City of Suffolk	1,139
6	CVN Distribution/QVC, Inc.	620	6	QVC	900
7	Target	600	7	Sysco Food Services of Hampton Roads	500
8	Walmart Stores	450	8	Walmart	450
9	Towne Bank	369	9	Kraft/Planters Peanuts	340
10	Sysco Food Services of Hampton Roads	350	10	Unilever/Lipton, Inc.	300
City of Franklin			**City of Franklin**		
Rank	**Employer**	**Employees**	**Rank**	**Employer**	**Employees**
1	Southampton Memorial Hospital	300 - 599	1	Southampton County Public Schools	500 - 999
2	City of Franklin Public Schools	300 - 599	2	Deerfield Correctional Center	500 - 999
3	Walmart	100 - 299	3	Southampton Memorial Hospital	250 - 499
4	On Time Staffing	100 - 249	4	Franklin City Public Schools	250 - 499
5	City of Franklin	100 - 249	5	Walmart	250 - 499
6	Paul D. Camp Community College	100 - 249	6	Narricot Industries	100 - 249
7	Village at Woods Edge	100 - 249	7	Southampton County	100 - 249
8	VDOT	100 - 249	8	City of Franklin	100 - 249
9	Lowes Home Center	100 - 249	9	Paul D. Camp Community College	100 - 249
10	Care Advantage	100 - 249	10	Care Advantage	100 - 249
Isle of Wight County			**Isle of Wight County**		
Rank	**Employer**	**Employees**	**Rank**	**Employer**	**Employees**
1	Smithfield Packing Company	1000+	1	Smithfield Packing Company	1000+
2	Isle of Wight County School Board	500 - 999	2	Isle of Wight County School Board	500 - 999
3	Keurig Green Mountain	500 - 999	3	County of Isle of Wight	250 - 499
4	County of Isle of Wight	250 - 499	4	Keurig Green Mountain	250 - 499
5	International Paper Company	100 - 249	5	International Paper Company	100 - 249
6	Food Lion	100 - 249	6	Riverside Regional Medical Center	100 - 249
7	C R England Inc.	100 - 249	7	C R England Inc.	100 - 249
8	Packers Sanitation Service, Inc.	100 - 249	8	Food Lion	100 - 249
9	Cost Plus, Inc.	100 - 249	9	Packers Sanitation Service, Inc.	100 - 249
10	Smithfield Foods	100 - 249	10	Cost Plus, Inc.	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.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Full-time Equivalent Employees
Last Ten Years

As of	Jail Operations		
June 30	Sworn	Civilian	Total (1)
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

Fiscal Year	Vehicles	Housing Units
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

	From										Average
Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County	Total	Feds	Total ADP	Admissions	Releases	Males	Females	Length of Stay (Days)
2017	340	75	97	512	147	659	6,436	5,713	5,246	1,274	38
2016	376	80	89	545	143	688	4,239	4,149	Unavailable	Unavailable	112
2015	413	83	74	570	104	674	5,602	5,501	Unavailable	Unavailable	95
2014	393	90	81	564	127	691	6,183	6,186	Unavailable	Unavailable	97
2013	395	83	84	562	154	716	7,002	7,013	Unavailable	Unavailable	84
2012	359	88	65	512	163	675	6,655	6,622	Unavailable	Unavailable	81
2011	334	77	92	503	197	700	6,641	6,811	Unavailable	Unavailable	96
2010	393	72	100	565	201	766	6,778	6,728	Unavailable	Unavailable	92

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

TABLE 13

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Miscellaneous Statistical Data
June 30, 2017

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

TABLE 14

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Insurance in Force
As of June 30, 2017

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit		Deductible	
Automobile Coverages:						
Automobile Liability	VML Insurance Programs	6/30/2017	$	1,000,000 Per occurrence		none
Medical Payments Coverage	VML Insurance Programs	6/30/2017	$	10,000 Per person		none
Property Coverages:						
Blanket Buildings, Contents PIO	VML Insurance Programs	6/30/2017	$	42,905,700	$	5,000
Electronic Data Processing	VML Insurance Programs	6/30/2017	$	75,000	$	5,000
Boiler & Machinery Coverage:						
Property Damange Limit	VML Insurance Programs	6/30/2017	$	10,000,000 Per accident	$	1,000
Workers' Compensation	VML Insurance Programs	6/30/2017	Required Statutory Limits			none
Line of Duty	VML Insurance Programs	6/30/2017	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

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, 2017, 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 October 6, 2017.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 6, 2017