

# RSW REGIONAL JAIL AUTHORITY



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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**RSW REGIONAL JAIL AUTHORITY**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2016**

**RSW  
REGIONAL JAIL AUTHORITY**

**AUTHORITY MEMBERS**

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*Chairman*

Douglas P. Stanley, County Administrator  
County of Warren, Virginia

*Vice Chairman*

Dr. Conrad A. Helsley, Board of Supervisors  
County of Shenandoah, Virginia

*Secretary/Treasurer*

Deborah A. Keyser, County Administrator  
County of Rappahannock, Virginia

John Lesinski  
Board of Supervisors  
County of Rappahannock

Connie C. Smith  
Sheriff  
County of Rappahannock

Mary T. Price  
County Administrator  
County of Shenandoah

Timothy C. Carter  
Sheriff  
County of Shenandoah

Daniel J. Murray, Jr.  
Board of Supervisors  
County of Warren

Daniel T. McEathron  
Sheriff  
County of Warren

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF  
RSW REGIONAL JAIL AUTHORITY  
FRONT ROYAL, 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 RSW Regional Jail Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 our 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 financial position of the business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority, as of June 30, 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 3 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions* – an amendment to GASB Statement Nos. 27, 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, 79 *Certain External Investment Pools and Pool Participants*, and 82 *Pension Issues* – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedules related to pension funding on pages 34-36 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.

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

### ***Other Information***

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of RSW 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 RSW Regional Jail Authority's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 7, 2016

## **BASIC FINANCIAL STATEMENTS**

**RSW REGIONAL JAIL AUTHORITY**  
**Statement of Net Position**  
**June 30, 2016**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 4,992,925
Accounts receivable	38,639
Due from other governments	684,082
Total current assets	<u>\$ 5,715,646</u>

## Noncurrent assets:

## Restricted assets:

Cash and cash equivalents held for debt service	\$ 2,223,576
Investments held for debt service	2,932,776
Total restricted assets	<u>\$ 5,156,352</u>

## Capital assets:

Land	\$ 2,065,314
Building and improvements	65,308,508
Furniture and equipment	4,856,885
Subtotal	<u>\$ 72,230,707</u>
Less - accumulated depreciation	<u>(3,528,304)</u>
Capital assets, net	<u>\$ 68,702,403</u>

Net pension asset	<u>\$ 827,813</u>
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Total noncurrent assets	<u>\$ 74,686,568</u>
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Total assets	<u>\$ 80,402,214</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension contributions subsequent to measurement date	\$ 573,095
Items related to measurement of net pension asset	<u>7,320</u>

Total deferred outflows of resources	<u>\$ 580,415</u>
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**LIABILITIES**

## Current liabilities:

Accounts payable	\$ 148,346
Retainage payable	50,000
Accrued salaries	314,434
Accrued interest payable	507,482
Accrued leave - current portion	45,462
Revenue bonds - current portion (including unamortized premium of \$184,916)	1,159,916
Total current liabilities	<u>\$ 2,225,640</u>

## Noncurrent liabilities:

Accrued leave - net of current portion	\$ 257,620
Revenue bonds - net of current portion (including unamortized premium of \$4,807,816)	49,072,816
Total noncurrent liabilities	<u>\$ 49,330,436</u>

Total liabilities	<u>\$ 51,556,076</u>
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**NET POSITION**

Net investment in capital assets	\$ 18,469,671
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## Restricted for:

Debt service	5,156,352
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Unrestricted (deficit)	<u>5,800,530</u>
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Total net position	<u><u>\$ 29,426,553</u></u>
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The notes to financial statements are an integral part of this statement.

## RSW REGIONAL JAIL AUTHORITY

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2016**

Operating revenues:	
Commonwealth of Virginia per diems	\$ 761,120
Commonwealth of Virginia reimbursements	5,068,885
Member locality per diems	7,210,518
Telephone revenue	155,017
Inmate keep fees	91,630
Electronic monitoring fees	69,699
Pre-trial drug and alcohol fees	29,632
Work release	109,034
Medical co-pays	25,700
Miscellaneous revenues	<u>127,646</u>
Total operating revenues	\$ <u>13,648,881</u>
Operating expenses:	
Jail operations:	
Personal services	\$ 5,304,229
Employee benefits	1,330,063
Medical services	720,979
Other purchased services	798,777
Other charges	738,224
Material and supplies	195,014
Noncapital equipment	12,119
Depreciation expense	<u>2,352,366</u>
Total operating expenses	\$ <u>11,451,771</u>
Operating income (loss)	\$ <u>2,197,110</u>
Nonoperating revenues (expenses)	
Interest revenue	\$ 59,166
Unrealized gain (loss) on investments	163,408
Interest and fiscal charges	<u>(2,029,924)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,807,350)</u>
Change in net position	\$ 389,760
Total net position - beginning of year, as adjusted	<u>29,036,793</u>
Total net position - end of year	\$ <u><u>29,426,553</u></u>

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

## RSW REGIONAL JAIL AUTHORITY

**Statement of Cash Flows**  
**Year Ended June 30, 2016**

Cash flows from operating activities:	
Receipts from participating jurisdictions	\$ 13,631,580
Payments to suppliers	(2,795,304)
Payments to employees	(7,160,966)
Other operating revenues	624,163
Net cash provided by (used for) operating activities	<u>\$ 4,299,473</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (14,652)
Interest and fiscal charges paid	(2,029,924)
Net cash Provided by (used for) capital and related financing activities	<u>\$ (2,044,576)</u>
Cash flows from investing activities:	
Interest received	\$ 59,166
Net cash provided by (used for) investing activities	<u>\$ 59,166</u>
Net increase (decrease) in cash and cash equivalents	\$ 2,314,063
Cash and cash equivalents at beginning of year, including restricted cash of \$1,433,061, as restated	4,902,438
Cash and cash equivalents at end of year, including restricted cash of \$2,223,576	<u><u>\$ 7,216,501</u></u>
Reconciliation of operating income (loss) to cash used for operating activities:	
Operating income (loss)	\$ 2,197,110
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation	\$ 2,352,366
Changes in operating assets, deferred outflows of resources and liabilities, and deferred inflows of resources:	
(increase) decrease in accounts receivable	15,805
(Increase) decrease in due from other governments	591,057
(Increase) decrease in deferred outflows of resources	(13,580)
(Increase) decrease in net pension asset	(827,813)
Increase (decrease) in accounts payable	(330,191)
Increase (decrease) in accrued salaries	11,637
Increase (decrease) in accrued leave	303,082
Total adjustments	<u>\$ 2,102,363</u>
Net cash used for operating activities	<u><u>\$ 4,299,473</u></u>
Noncash investing activities:	
Increase (decrease) in fair value of investments - debt service reserve fund	<u>\$ 163,408</u>

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

## RSW REGIONAL JAIL AUTHORITY

Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>183,822</u>
<b>LIABILITIES</b>	
Amounts held for inmates	\$ <u>183,822</u>

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

**RSW REGIONAL JAIL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1—BASIS OF PRESENTATION:**

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**A.     Organization and Purpose:**

The Counties of Warren, Rappahannock, and Shenandoah entered into an agreement dated July 22, 2010, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments participating in the Authority, which was created by Resolution of the participating local governments. Each of the three localities appoints two members to the Authority Board. In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

**B.     Financial Reporting Entity:**

RSW Regional Jail Authority is not presented as a discretely presented component unit of any of the participating jurisdictions in accordance with Governmental Accounting Standards Board Statement Nos. 14 and 39. The Authority is not fiscally dependent on any one particular Member Jurisdiction, and none of the Member Jurisdictions appoints a voting majority. The Authority is a legally separate entity from the jurisdictions.

Construction of the regional jail was completed early in fiscal year 2015. The regional jail opened in July 2014 at which time the participating localities began sending inmates to the facility. The Authority bills each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates include components for both operating and debt service expenses.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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**A.     Basic Financial Statements**

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis (Management has elected not to prepare the MD&A in the current year)
- Enterprise fund financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Statement of Fiduciary Net Position
  - Notes to Financial Statements
- Schedule of OPEB Funding Progress (Not applicable in this fiscal year)
- Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios
- Schedule of Employer Contributions
- Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual

# RSW REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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**B. Basis of Accounting**

The accounting policies of the Authority conform to generally accepted accounting principles. Accordingly, the Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to member jurisdictions and bed rentals. Operating expenses include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Capital Assets**

Capital assets of the Authority that are purchased or constructed are stated at cost, including interest cost on funds borrowed to finance the construction of major capital items. The capitalization threshold is \$5,000 with an estimated useful life of greater than one year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Improvements	15
Vehicles	5-7
Furniture, fixtures, and equipment	5-15

Depreciation recognized on capital assets is charged as an expense against operations.

**D. Use of Estimates**

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

**E. Investments**

Investments for the Authority in U.S. Treasury Bonds are reported at fair value at June 30, 2016. The Authority has SNAP External Investment Pool accounts that are reported at amortized cost at June 30, 2016.

**F. Cash and Cash Equivalents**

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

**G. Inventory**

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements.

## RSW REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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##### H. 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.

##### I. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond and 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.

##### J. 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) until then. The Authority has two items that qualify for reporting in this category. One item is comprised of certain items related to the measurement of the net pension asset. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and the other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as a reduction of the net pension asset next fiscal year. For more detailed information on this item, 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 does not have any deferred inflows of resources as of June 30, 2016.

##### K. Pensions

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

## RSW REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### NOTE 3—ADOPTION OF ACCOUNTING PRINCIPLES:

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**Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73:***

The Authority early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

**Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants:***

The Authority implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Authority's financial statement as a result of the implementation of Statement No., 79. All required disclosures are located in Note 4.

**Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68:***

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2016. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions.

The implementation of these Statements resulted in the following restatement of net position:

Net position as reported at June 30, 2015	\$	28,556,678
Implementation of GASB 68		566,835
Correction of prior year cash balance		<u>(86,720)</u>
Net position as restated at June 30, 2015	\$	<u><u>29,036,793</u></u>

## RSW REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

#### NOTE 4—DEPOSITS AND INVESTMENTS:

##### Deposits

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

##### Investments

Statutes authorize the Authority to invest in obligations of the United State or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and State Treasurer's Local Government Investment Pool (LGIP).

##### Credit Risk of Debt Securities

The Authority's debt investments as of June 30, 2016 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Rated Debt Investments' Values			
Rated Debt Investments	Fair Quality Ratings		
	AAA	AAAm	
SNAP External Investment Pool	\$ -	\$ 985,181	
US Treasury Bond	2,932,776	-	
Total	\$ 2,932,776	\$ 985,181	

##### Interest Rate Risk

The Authority invests funds in low risk investments backed by U.S. government agencies.

	Fair Value	Less than 1 yr	1-5 years	6-10 years	10+ years
SNAP	\$ 985,181	\$ 985,181	\$ -	\$ -	\$ -
U.S. Treasuries	2,932,776	-	-	2,932,776	-
Total	\$ 3,917,957	\$ 985,181	\$ -	\$ 2,932,776	\$ -

##### External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. SNAP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

**RSW REGIONAL JAIL AUTHORITY****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)****NOTE 4—DEPOSITS AND INVESTMENTS: (continued)****Fair Value Measurements**

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

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

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

The Authority has the following recurring fair value measurements as of June 30, 2016:

Investment type	Fair Value 6/30/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Agencies	\$ 2,932,776	\$ 2,932,776	\$ -	\$ -
Total	\$ 2,932,776	\$ 2,932,776	\$ -	\$ -

**NOTE 5—DUE FROM OTHER GOVERNMENTS:**

A summary of the amounts due from other governments is as follows:

Commonwealth of Virginia	\$ 684,082
Total	\$ 684,082

# RSW REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

### NOTE 6—CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year is as follows:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Non-depreciable capital assets:					
Land	\$ 2,065,314	\$ -	\$ -	\$ -	\$ 2,065,314
Total non-depreciable capital assets	\$ 2,065,314	\$ -	\$ -	\$ -	\$ 2,065,314
Depreciable capital assets:					
Building and improvements	\$ 65,293,856	\$ 14,652	\$ -	\$ -	\$ 65,308,508
Furniture and equipment	4,856,885	-	-	-	4,856,885
Total depreciable capital assets	\$ 70,150,741	\$ 14,652	\$ -	\$ -	\$ 70,165,393
Less: accumulated depreciation					
Building and improvements	\$ 850,048	\$ 1,700,584	\$ -	\$ -	\$ 2,550,632
Furniture and equipment	325,890	651,782	-	-	977,672
Accumulated depreciation	\$ 1,175,938	\$ 2,352,366	\$ -	\$ -	\$ 3,528,304
Total depreciable capital assets, net	\$ 68,974,803	\$ (2,337,714)	\$ -	\$ -	\$ 66,637,089
Total capital assets, net	\$ 71,040,117	\$ (2,337,714)	\$ -	\$ -	\$ 68,702,403

### NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of the Authority's long-term obligation transactions for the year ended June 30, 2016:

	Balance July 1, 2015	Issuances	Retirements	Balance June 30, 2016	Amount Due Within One Year
Revenue bond	\$ 45,240,000	\$ -	\$ -	\$ 45,240,000	\$ 975,000
Premium on bond issue	4,992,732	-	-	4,992,732	184,916
Accrued leave	-	757,705	454,623	303,082	45,462
Total Long-Term Obligations	\$ 50,232,732	\$ 757,705	\$ 454,623	\$ 50,535,814	\$ 1,205,378

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)**

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

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

Year Ending June 30,	Revenue Bond	
	Principal	Interest
2017	\$ 975,000	\$ 2,019,566
2018	995,000	1,998,634
2019	1,020,000	1,977,225
2020	1,045,000	1,950,060
2021	1,075,000	1,920,685
2022 - 2026	5,910,000	9,064,004
2027 - 2031	7,290,000	7,685,737
2032 - 2036	9,260,000	5,714,553
2037 - 2041	11,960,000	3,014,095
2042 - 2043	5,710,000	282,950
Total	<u>\$ 45,240,000</u>	<u>\$ 35,627,509</u>

Details of Long-Term Obligations:

	Total Amount	Amount Due Within One Year
Revenue bond:		
\$45,240,000 issued April 30, 2012 at a premium of \$4,992,732, due in varying annual principal installments, interest payable semi-annual at interest rates varying from 2.125% to 5.125% through April 1, 2043	\$ 45,240,000	\$ 975,000
Unamortized bond premium	\$ 4,992,732	\$ 184,916
Accrued leave	\$ 303,082	\$ 45,462
Total long-term obligations	<u>\$ 50,535,814</u>	<u>\$ 1,205,378</u>

# RSW REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

### NOTE 8—PENSION PLAN:

#### *Plan Description*

All full-time, salaried permanent employees of the Authority are automatically covered by 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
<p><b>About Plan 1</b></p> <p>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.</p>	<p><b>About Plan 2</b></p> <p>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.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>About Plan 1 (Cont.)</b>	<b>About Plan 2 (Cont.)</b>	<b>About the Hybrid Retirement Plan (Cont.)</b> <ul style="list-style-type: none"> <li>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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>Political subdivision employees*</li> <li>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.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> 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 will be paying the full 5% by 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.</p>	<p><b>Retirement Contributions</b> 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 will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b> <u><b>Defined Contributions Component: (Cont.)</b></u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> Distribution is not required by law until age 70½.
<b>Calculating the Benefit</b> 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.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2.</p>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)

NOTE 8—PENSION PLAN: (CONTINUED)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> 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.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>•Hybrid Retirement Plan members are ineligible for ported service.</li> <li>•The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>•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.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

## RSW REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

#### NOTE 8—PENSION PLAN: (CONTINUED)

##### *Plan Description (Continued)*

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-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:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members:	
Vested inactive members	3
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>8</u>
Total inactive members	34
Active members	<u>135</u>
Total covered employees	<u><u>169</u></u>

##### *Contributions*

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

The Authority's contractually required contribution rate for the year ended June 30, 2016 was 12.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

## RSW REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### NOTE 8—PENSION PLAN: (CONTINUED)

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##### ***Contributions (continued)***

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 \$575,906 for the year ended June 30, 2016.

##### ***Net Pension Asset***

The Authority's net pension asset was measured as of June 30, 2015. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

##### ***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, 2013, 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, 2015.

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

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)**

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**NOTE 8—PENSION PLAN: (CONTINUED)**

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***Actuarial Assumptions – General Employees***

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

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, 2014 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

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# RSW REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

### NOTE 8—PENSION PLAN: (CONTINUED)

#### Actuarial Assumptions – General Employees

##### 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%.

##### 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.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)**

**NOTE 8—PENSION PLAN: (CONTINUED)**

***Changes in Net Pension (Asset) Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	\$ -	\$ -	\$ -
Interest	(33)	-	(33)
Differences between expected and actual experience	-	-	-
Contributions - employer	-	566,835	(566,835)
Contributions - employee	-	241,286	(241,286)
Net investment income	-	19,120	(19,120)
Benefit payments, including refunds of employee contributions	(951)	(951)	-
Administrative expenses	-	546	(546)
Other changes	-	(7)	7
Net changes	\$ (984)	\$ 826,829	\$ (827,813)
Balances at June 30, 2015	\$ (984)	\$ 826,829	\$ (827,813)

***Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Authority's Net Pension (Asset) Liability	\$ (827,809)	\$ (827,813)	\$ (827,818)

**RSW REGIONAL JAIL AUTHORITY****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 (CONTINUED)**

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**NOTE 8—PENSION PLAN: (CONTINUED)**

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

For the year ended June 30, 2016, the Authority recognized pension expense of \$(268,298). At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 7,320	\$ -
Employer contributions subsequent to the measurement date	<u>573,095</u>	<u>-</u>
Total	\$ <u><u>580,415</u></u>	\$ <u><u>-</u></u>

\$573,095 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30,</u>	
2017	\$ 1,830
2018	1,830
2019	1,830
2020	1,830
2021	-
Thereafter	-

**NOTE 9—LITIGATION:**

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At June 30, 2016, there were no matters of litigation involving RSW Regional Jail Authority that would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

## RSW REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 (CONTINUED)

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#### NOTE 10—UPCOMING PRONOUNCEMENTS:

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Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## RSW REGIONAL JAIL AUTHORITY

**Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios**  
**Year Ended June 30, 2016**

	<u>2015</u>
<b>Total pension liability</b>	
Service cost	\$ -
Interest	(33)
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(951)
<b>Net change in total pension liability</b>	\$ (984)
<b>Total pension liability - beginning</b>	-
<b>Total pension liability - ending (a)</b>	\$ (984)
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 566,835
Contributions - employee	241,286
Net investment income	19,120
Benefit payments, including refunds of employee contributions	(951)
Administrative expense	546
Other	(7)
<b>Net change in plan fiduciary net position</b>	\$ 826,829
<b>Plan fiduciary net position - beginning</b>	-
<b>Plan fiduciary net position - ending (b)</b>	\$ 826,829
 <b>Authority's net pension asset - ending (a) - (b)</b>	\$ (827,813)
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	-84027.34%
 <b>Covered payroll</b>	\$ 4,652,226
 <b>Authority's net pension asset as a percentage of covered payroll</b>	-17.79%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

## RSW REGIONAL JAIL AUTHORITY

**Schedule of Employer Contributions**  
**Year Ended June 30, 2016**

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2016	\$ 575,906	\$ 575,906	\$ -	\$ 4,693,608	12.27%
2015	570,828	570,828	-	4,652,226	12.27%

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

## RSW REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information  
Year Ended June 30, 2016

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In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

**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 was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 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**

## RSW REGIONAL JAIL AUTHORITY

**Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual**  
**Year Ended June 30, 2016**

	<b>Final</b>		<b>Variance with</b>
	<b>Budget</b>	<b>Actual</b>	<b>budget- Positive (Negative)</b>
Operating Revenues:			
Commonwealth of Virginia per diems	\$ 756,000	\$ 761,120	\$ 5,120
Commonwealth of Virginia reimbursements	4,860,018	5,068,885	208,867
Member locality per diems	7,592,832	7,210,518	(382,314)
Telephone revenue	168,000	155,017	(12,983)
Inmate keep fees	66,000	91,630	25,630
Electronic monitoring fees	18,000	69,699	51,699
Pre-trial drug and alcohol fees	-	29,632	29,632
Work release	180,000	109,034	(70,966)
Medical co-pays	7,000	25,700	18,700
Miscellaneous revenues	-	127,646	127,646
Total operating revenues	\$ 13,647,850	\$ 13,648,881	\$ 1,031
Operating Expenses:			
Jail operations:			
Personal services	\$ 6,220,272	\$ 5,304,229	\$ 916,043
Employee benefits	2,300,790	1,330,063	970,727
Medical services	550,628	720,979	(170,351)
Other purchased services	887,416	798,777	88,639
Other charges	757,974	738,224	19,750
Material and supplies	161,440	195,014	(33,574)
Noncapital equipment	8,155	12,119	(3,964)
Depreciation expense	-	2,352,366	(2,352,366)
Total operating expenses	\$ 10,886,675	\$ 11,451,771	\$ (565,096)
Operating income (loss)	\$ 2,761,175	\$ 2,197,110	\$ 566,127
Nonoperating Revenues (Expenses):			
Interest revenue	\$ -	\$ 59,166	\$ 59,166
Unrealized gain (loss) on investments	-	163,408	163,408
Interest and fiscal charges	(2,761,175)	(2,029,924)	731,251
Total nonoperating revenues (expenses)	\$ (2,761,175)	\$ (1,807,350)	\$ 953,825
Change in net position	\$ -	\$ 389,760	\$ 389,760
Net position, beginning of year, as adjusted	-	29,036,793	29,036,793
Net position, end of year	\$ -	\$ 29,426,553	\$ 29,426,553

## RSW REGIONAL JAIL AUTHORITY

**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2016**

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
<b>Inmate Benefits Account:</b>				
Assets:				
Cash and cash equivalents	\$ 125,070	\$ 1,220,424	\$ 1,277,968	\$ 67,526
Liabilities:				
Amounts held for inmates	\$ 125,070	\$ 1,220,424	\$ 1,277,968	\$ 67,526
<b>Commissary Account:</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 208,519	\$ 92,223	\$ 116,296
Liabilities:				
Amounts held for inmates	\$ -	\$ 208,519	\$ 92,223	\$ 116,296
<b>TOTALS:</b>				
Assets:				
Cash and cash equivalents:				
Inmate Benefits Account	\$ 125,070	\$ 1,220,424	\$ 1,277,968	\$ 67,526
Commissary Account	-	208,519	92,223	116,296
	\$ 125,070	\$ 1,428,943	\$ 1,370,191	\$ 183,822
Liabilities:				
Amounts held for inmates:				
Inmate Benefits Account	\$ 125,070	\$ 1,220,424	\$ 1,277,968	\$ 67,526
Commissary Account	-	208,519	92,223	116,296
	\$ 125,070	\$ 1,428,943	\$ 1,370,191	\$ 183,822

## **COMPLIANCE**

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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### TO THE HONORABLE MEMBERS OF RSW REGIONAL JAIL AUTHORITY FRONT ROYAL, 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 the aggregate remaining fund information of RSW Regional Jail Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise RSW Regional Jail Authority's basic financial statements and have issued our report thereon dated November 7, 2016.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RSW 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 RSW Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of RSW 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 RSW 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*

Staunton, Virginia  
November 7, 2016

**RSW REGIONAL JAIL AUTHORITY**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2016**

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**Section I-Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        yes   x   no

- Significant deficiency(ies) identified?        yes   x   none reported

Noncompliance material to financial statements noted?        yes   x   no

**Section II-Financial Statement Findings**

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None

**Section III-Summary Schedule of Prior Year Findings**

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**2015-001**

Status: Management established the required policies and procedures to increase its internal controls over the bank reconciliation process.