

RSW REGIONAL JAIL AUTHORITY



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

RSW REGIONAL JAIL AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

**RSW
REGIONAL JAIL AUTHORITY**

AUTHORITY MEMBERS

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

Brenda Garton, Interim County Administrator
County of Rappahannock, Virginia

Ronald L. Frazier
Board of Supervisors
County of Rappahannock

Connie S. Compton
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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
 Basic Financial Statements:	
Exhibit 1 Statement of Net Position.....	3
Exhibit 2 Statement of Revenues, Expenses and Changes in Net Position	4
Exhibit 3 Statement of Cash Flows	5
Exhibit 4 Statement of Fiduciary Net Position – Fiduciary Funds	6
Notes to Financial Statements	7-31
 Required Supplementary Information:	
Exhibit 5 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios.....	32
Exhibit 6 Schedule of Employer Contributions	33
Exhibit 7 Notes to Required Supplementary Information	34
 Other Supplementary Information:	
Exhibit 8 Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual	35
Exhibit 9 Combining Statement of Changes in Assets and Liabilities - Agency Funds..	36
 Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38

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, 2017, 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 respective financial position of the business-type activities and the aggregate remaining fund information of RSW Regional Jail Authority, as of June 30, 2017, and the respective 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.

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 32-34 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 opinions 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, 2017, 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, Finner, Cox Associates

Staunton, Virginia
November 7, 2017

BASIC FINANCIAL STATEMENTS

RSW REGIONAL JAIL AUTHORITY
Statement of Net Position
June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,467,538
Accounts receivable	51,612
Due from other governments	610,822
Total current assets	<u>\$ 4,129,972</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents held for debt service	\$ 1,248,795
Cash and cash equivalents for operating reserve	2,329,406
Cash and cash equivalents for capital reserve	177,296
Investments held for debt service	2,999,293
Total restricted assets	<u>\$ 6,754,790</u>

Capital assets:

Land	\$ 2,065,314
Building and improvements	65,258,508
Furniture and equipment	4,856,885
Subtotal	<u>\$ 72,180,707</u>
Less - accumulated depreciation	(5,879,825)
Capital assets, net	<u>\$ 66,300,882</u>

Net pension asset

	\$ 48,242
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Total noncurrent assets

	<u>\$ 73,103,914</u>
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Total assets

	<u>\$ 77,233,886</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension contributions subsequent to measurement date	\$ 597,364
Items related to measurement of net pension asset	<u>684,594</u>

Total deferred outflows of resources

	<u>\$ 1,281,958</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 150,183
Accrued salaries	253,464
Accrued interest payable	502,302
Compensated absences - current portion	44,803
Revenue bond - current portion (including unamortized premium of \$184,916)	1,179,916
Total current liabilities	<u>\$ 2,130,668</u>

Noncurrent liabilities:

Compensated absences - net of current portion	\$ 264,183
Revenue bond - net of current portion (including unamortized premium of \$4,807,816)	47,892,900
Total noncurrent liabilities	<u>\$ 48,157,083</u>
Total liabilities	<u>\$ 50,287,751</u>

NET POSITION

Net investment in capital assets	\$ 17,228,066
Restricted for:	
Debt service	6,754,790
Unrestricted	<u>4,245,237</u>
Total net position	<u>\$ 28,228,093</u>

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, 2017

Operating revenues:	
Commonwealth of Virginia per diems	\$ 755,218
Commonwealth of Virginia reimbursements	4,867,982
Member locality per diems	6,882,517
Telephone revenue	173,112
Inmate keep fees	122,917
Electronic monitoring fees	54,806
Pre-trial drug and alcohol fees	22,710
Work release	95,458
Medical co-pays	31,038
Miscellaneous revenues	<u>3,696</u>
Total operating revenues	\$ <u>13,009,454</u>
Operating expenses:	
Jail operations:	
Personal services	\$ 5,177,403
Employee benefits	2,106,121
Medical services	917,723
Other purchased services	595,797
Other charges	904,481
Material and supplies	238,318
Noncapital equipment	17,081
Depreciation expense	<u>2,351,521</u>
Total operating expenses	\$ <u>12,308,445</u>
Operating income (loss)	\$ <u>701,009</u>
Nonoperating revenues (expenses)	
Interest revenue	\$ 61,350
Unrealized gain (loss) on investments	(131,460)
Interest and fiscal charges	<u>(1,829,359)</u>
Total nonoperating revenues (expenses)	\$ <u>(1,899,469)</u>
Change in net position	\$ (1,198,460)
Total net position - beginning of year	<u>29,426,553</u>
Total net position - end of year	\$ <u><u>28,228,093</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, 2017

Cash flows from operating activities:	
Receipts from participating jurisdictions	\$ 12,578,977
Payments to suppliers	(2,671,563)
Payments to employees	(7,260,562)
Other operating revenues	490,764
Net cash provided by (used for) operating activities	<u>\$ 3,137,616</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt	\$ (1,159,916)
Interest paid on capital debt	(1,834,539)
Net cash provided by (used for) capital and related financing activities	<u>\$ (2,994,455)</u>
Cash flows from investing activities:	
Interest received	\$ 61,350
Purchase of investments	(197,977)
Net cash provided by (used for) investing activities	<u>\$ (136,627)</u>
Net increase (decrease) in cash and cash equivalents	\$ 6,534
Cash and cash equivalents at beginning of year, including restricted cash of \$2,223,576	7,216,501
Cash and cash equivalents at end of year, including restricted cash of \$3,755,497	<u><u>\$ 7,223,035</u></u>
Reconciliation of operating income (loss) to cash used for operating activities:	
Operating income (loss)	\$ 701,009
Adjustments to reconcile operating income (loss) to cash provided by (used for) operating activities:	
Depreciation	\$ 2,351,521
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(increase) decrease in accounts receivable	(12,973)
(Increase) decrease in due from other governments	73,260
(Increase) decrease in deferred outflows of resources	(701,543)
(Increase) decrease in net pension asset	779,571
Increase (decrease) in accounts payable	1,837
Increase (decrease) in accrued salaries	(60,970)
Increase (decrease) in compensated absences	5,904
Total adjustments	<u>\$ 2,436,607</u>
Net cash provided by (used for) operating activities	<u><u>\$ 3,137,616</u></u>
Noncash investing activities:	
Increase (decrease) in fair value of investments - debt service reserve fund	<u>\$ (131,460)</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, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>228,086</u>
LIABILITIES	
Amounts held for inmates	\$ <u>228,086</u>

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

RSW REGIONAL JAIL AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1—BASIS OF PRESENTATION:

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:

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 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, 2017 (CONTINUED)

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

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 Notes are reported at fair value at June 30, 2017. The Authority has SNAP External Investment Pool accounts that are reported at amortized cost at June 30, 2017.

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, 2017 (CONTINUED)

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

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, and the net difference between projected and actual earnings on pension plan investments. 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, 2017.

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, 2017 (CONTINUED)****NOTE 3—DEPOSITS AND INVESTMENTS:****Deposits**

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

Investments

Statutes authorize the 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, 2017 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	\$	-	\$ 197,977
U.S. Treasury Note		2,801,316	-
Total	\$	<u>2,801,316</u>	<u>\$ 197,977</u>

Interest Rate Risk

The Authority invests funds in low risk investments as follows.

	Fair Value	Less than 1 yr	1-5 years	6-10 years	10+ years
SNAP	\$ 197,977	\$ 197,977	\$ -	\$ -	\$ -
U.S. Treasury Note	2,801,316	-	-	2,801,316	-
Total	<u>\$ 2,999,293</u>	<u>\$ 197,977</u>	<u>\$ -</u>	<u>\$ 2,801,316</u>	<u>\$ -</u>

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, 2017 (CONTINUED)

NOTE 3—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, 2017:

Investment type	Fair Value 6/30/2017	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. Treasury Note	\$ 2,801,316	\$ 2,801,316	\$ -	\$ -
Cash and Cash Equivalents:				
Money Market Mutual Funds	1,248,795	1,248,795	-	-
Total	\$ <u>4,050,111</u>	\$ <u>4,050,111</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 4—DUE FROM OTHER GOVERNMENTS:

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

Commonwealth of Virginia	\$ <u>610,822</u>
Total	\$ <u>610,822</u>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 5—CAPITAL ASSETS:

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

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
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	\$ 65,308,508	\$ -	\$ (50,000)	\$ -	\$ 65,258,508
Furniture and equipment	4,856,885	-	-	-	4,856,885
Total depreciable capital assets	\$ 70,165,393	\$ -	\$ (50,000)	\$ -	\$ 70,115,393
Less: accumulated depreciation					
Building and improvements	\$ 2,550,632	\$ 1,699,739	\$ -	\$ -	\$ 4,250,371
Furniture and equipment	977,672	651,782	-	-	1,629,454
Accumulated depreciation	\$ 3,528,304	\$ 2,351,521	\$ -	\$ -	\$ 5,879,825
Total depreciable capital assets, net	\$ 66,637,089	\$ (2,351,521)	\$ (50,000)	\$ -	\$ 64,235,568
Total capital assets, net	\$ 68,702,403	\$ (2,351,521)	\$ (50,000)	\$ -	\$ 66,300,882

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of the Authority's long-term obligation transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Issuances	Retirements	Balance June 30, 2017	Amount Due Within One Year
Revenue bond	\$ 45,240,000	\$ -	\$ 975,000	\$ 44,265,000	\$ 995,000
Premium on bond issue	4,992,732	-	184,916	4,807,816	184,916
Compensated absences	-	772,465	463,479	308,986	44,803
Total Long-Term Obligations	\$ 50,232,732	\$ 772,465	\$ 1,623,395	\$ 49,381,802	\$ 1,224,719

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**

NOTE 6—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
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	1,100,000	953,819
2023 - 2027	6,145,000	8,953,516
2028 - 2032	7,625,000	7,524,312
2033 - 2037	9,745,000	5,481,016
2038 - 2042	12,590,000	2,707,620
2043	2,925,000	141,056
Total	<u>\$ 44,265,000</u>	<u>\$ 33,607,943</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	\$ 44,265,000	\$ 995,000
Unamortized bond premium	\$ 4,807,816	\$ 184,916
Compensated absences	\$ 308,986	\$ 44,803
Total long-term obligations	<u>\$ 49,381,802</u>	<u>\$ 1,224,719</u>

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**

NOTE 7—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>About Plan 1</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>About Plan 2</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>About the Hybrid Retirement Plan</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"> • 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.

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>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.</p>	<p>*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.</p>
<p>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.</p>	<p>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.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</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, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. 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 <u>Defined Benefit Component:</u> See definition under Plan 1

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: 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, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</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>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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:

	<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, 2017 was 14.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 7—PENSION PLAN: (CONTINUED)

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 \$597,364 and \$573,095 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Asset

The Authority's net pension asset was measured as of June 30, 2016. The total pension asset used to calculate the net pension asset 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

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**

NOTE 7—PENSION PLAN: (CONTINUED)

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, 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

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RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 7—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

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**

NOTE 7—PENSION PLAN: (CONTINUED)

Discount Rate (continued)

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 (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ (984)	\$ 826,829	\$ (827,813)
Changes for the year:			
Service cost	\$ 890,276	\$ -	\$ 890,276
Interest	(711)	-	(711)
Differences between expected and actual experience	735,340	-	735,340
Contributions - employer	-	573,095	(573,095)
Contributions - employee	-	231,081	(231,081)
Net investment income	-	41,208	(41,208)
Benefit payments, including refunds of employee contributions	(18,334)	(18,334)	-
Administrative expenses	-	(39)	39
Other changes	-	(11)	11
Net changes	\$ 1,606,571	\$ 827,000	\$ 779,571
Balances at June 30, 2016	\$ 1,605,587	\$ 1,653,829	\$ (48,242)

RSW REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 (CONTINUED)**

NOTE 7—PENSION PLAN: (CONTINUED)

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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Authority's			
Net Pension (Asset) Liability	\$ 281,549	\$ (48,242)	\$ (307,296)

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 \$675,392. 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	\$ 643,766	\$ -
Net difference between projected and actual earnings on plan investments	40,828	-
Employer contributions subsequent to the measurement date	597,364	-
Total	\$ 1,281,958	\$ -

\$597,364 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:

<u>Year ended June 30,</u>	
2018	\$ 102,239
2019	102,239
2020	102,239
2021	100,407
2022	91,574
Thereafter	185,896

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 (CONTINUED)

NOTE 8 – BOARD DESIGNATED RESERVES:

During fiscal year 2017 the Board of the Authority approved to designate a portion of the Authority's net assets for future operating and capital expenses. At June 30, 2017, the Authority had \$2,329,406 and \$177,296 designated as operating and capital reserves, respectively.

NOTE 9—LITIGATION:

At June 30, 2017, 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.

NOTE 10—UPCOMING PRONOUNCEMENTS:

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. No formal study or estimate of the impact of this standard has been performed.

REQUIRED SUPPLEMENTARY INFORMATION

RSW REGIONAL JAIL AUTHORITY

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Years Ended June 30, 2016 through June 30, 2017

	2016	2015
Total pension liability		
Service cost	\$ 890,276	\$ -
Interest	(711)	(33)
Changes of benefit terms	-	-
Differences between expected and actual experience	735,340	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(18,334)	(951)
Net change in total pension liability	\$ 1,606,571	\$ (984)
Total pension liability - beginning	(984)	-
Total pension liability - ending (a)	\$ 1,605,587	\$ (984)
Plan fiduciary net position		
Contributions - employer	\$ 573,095	\$ 566,835
Contributions - employee	231,081	241,286
Net investment income	41,208	19,120
Benefit payments, including refunds of employee contributions	(18,334)	(951)
Administrative expense	(39)	546
Other	(11)	(7)
Net change in plan fiduciary net position	\$ 827,000	\$ 826,829
Plan fiduciary net position - beginning	826,829	-
Plan fiduciary net position - ending (b)	\$ 1,653,829	\$ 826,829
Authority's net pension asset - ending (a) - (b)	\$ (48,242)	\$ (827,813)
Plan fiduciary net position as a percentage of the total pension liability	103.00%	-84027.34%
Covered payroll	\$ 4,298,097	\$ 4,693,608
Authority's net pension asset as a percentage of covered payroll	-1.12%	-17.64%

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
Years Ended June 30, 2015 through June 30, 2017

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)	
2017	\$ 597,364	\$ 597,364	\$ -	\$ 4,298,097	13.90%
2016	573,095	573,095	-	4,693,608	12.21%
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, 2017

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

RSW REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual
Year Ended June 30, 2017

	Final		Variance with
	Budget	Actual	budget- Positive (Negative)
Operating Revenues:			
Commonwealth of Virginia per diems	\$ 756,000	\$ 755,218	\$ (782)
Commonwealth of Virginia reimbursements	5,297,079	4,867,982	(429,097)
Member locality per diems	7,591,702	6,882,517	(709,185)
Telephone revenue	168,000	173,112	5,112
Inmate keep fees	100,000	122,917	22,917
Electronic monitoring fees	36,000	54,806	18,806
Pre-trial drug and alcohol fees	33,000	22,710	(10,290)
Work release	135,000	95,458	(39,542)
Medical co-pays	20,000	31,038	11,038
Miscellaneous revenues	1,500	3,696	2,196
Total operating revenues	\$ 14,138,281	\$ 13,009,454	\$ (1,128,827)
Operating Expenses:			
Jail operations:			
Personal services	\$ 6,326,189	\$ 5,177,403	\$ 1,148,786
Employee benefits	2,503,749	2,106,121	397,628
Medical services	550,628	917,723	(367,095)
Other purchased services	253,809	595,797	(341,988)
Other charges	793,955	904,481	(110,526)
Material and supplies	689,215	238,318	450,897
Noncapital equipment	16,350	17,081	(731)
Depreciation expense	-	2,351,521	(2,351,521)
Total operating expenses	\$ 11,133,895	\$ 12,308,445	\$ (1,174,550)
Operating income (loss)	\$ 3,004,386	\$ 701,009	\$ 45,723
Nonoperating Revenues (Expenses):			
Interest revenue	\$ -	\$ 61,350	\$ 61,350
Unrealized gain (loss) on investments	-	(131,460)	(131,460)
Interest and fiscal charges	(3,004,386)	(1,829,359)	1,175,027
Total nonoperating revenues (expenses)	\$ (3,004,386)	\$ (1,899,469)	\$ 1,104,917
Change in net position	\$ -	\$ (1,198,460)	\$ (1,198,460)
Net position, beginning of year	-	29,426,553	29,426,553
Net position, end of year	\$ -	\$ 28,228,093	\$ 28,228,093

RSW REGIONAL JAIL AUTHORITY

Statement of Changes in Assets and Liabilities

Agency Funds

Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Inmate Benefits Account:				
Assets:				
Cash and cash equivalents	\$ <u>67,526</u>	\$ <u>1,057,539</u>	\$ <u>1,057,371</u>	\$ <u>67,694</u>
Liabilities:				
Amounts held for inmates	\$ <u>67,526</u>	\$ <u>1,057,539</u>	\$ <u>1,057,371</u>	\$ <u>67,694</u>
Commissary Account:				
Assets:				
Cash and cash equivalents	\$ <u>116,296</u>	\$ <u>308,719</u>	\$ <u>264,623</u>	\$ <u>160,392</u>
Liabilities:				
Amounts held for inmates	\$ <u>116,296</u>	\$ <u>308,719</u>	\$ <u>264,623</u>	\$ <u>160,392</u>
TOTALS:				
Assets:				
Cash and cash equivalents:				
Inmate Benefits Account	\$ <u>67,526</u>	\$ <u>1,057,539</u>	\$ <u>1,057,371</u>	\$ <u>67,694</u>
Commissary Account	<u>116,296</u>	<u>308,053</u>	<u>263,957</u>	<u>160,392</u>
	\$ <u>183,822</u>	\$ <u>1,365,592</u>	\$ <u>1,321,328</u>	\$ <u>228,086</u>
Liabilities:				
Amounts held for inmates:				
Inmate Benefits Account	\$ <u>67,526</u>	\$ <u>1,057,539</u>	\$ <u>1,057,371</u>	\$ <u>67,694</u>
Commissary Account	<u>116,296</u>	<u>308,053</u>	<u>263,957</u>	<u>160,392</u>
	\$ <u>183,822</u>	\$ <u>1,365,592</u>	\$ <u>1,321,328</u>	\$ <u>228,086</u>

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

TO THE 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, 2017, 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, 2017.

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, 2017