# WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
## SUFFOLK, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## YEAR ENDED JUNE 30, 2019

# WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
# SUFFOLK, VIRGINIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

# YEAR ENDED JUNE 30, 2019

**Prepared by the Administrative Division**

William C. Smith, Superintendent

Karen Hatfield, Fiscal Officer

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Comprehensive Annual Financial Report
Year Ended June 30, 2019

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## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
## BOARD OF DIRECTORS

***City of Suffolk:***

- Everett "E.C." Harris, Sheriff, Suffolk
  WTRJ Authority Personnel Committee

- Michael D. Duman, City Council Member, Suffolk
  WTRJ Authority **Chairman**, Personnel and Finance Committees

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

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

***Isle of Wight:***

- James R. Clarke, Interim Sheriff, Isle of Wight
  WTRJ Authority Personnel Committee

- William M. McCarty, Board of Supervisors, Isle of Wight
  WTRJ Authority Personnel Committee

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

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

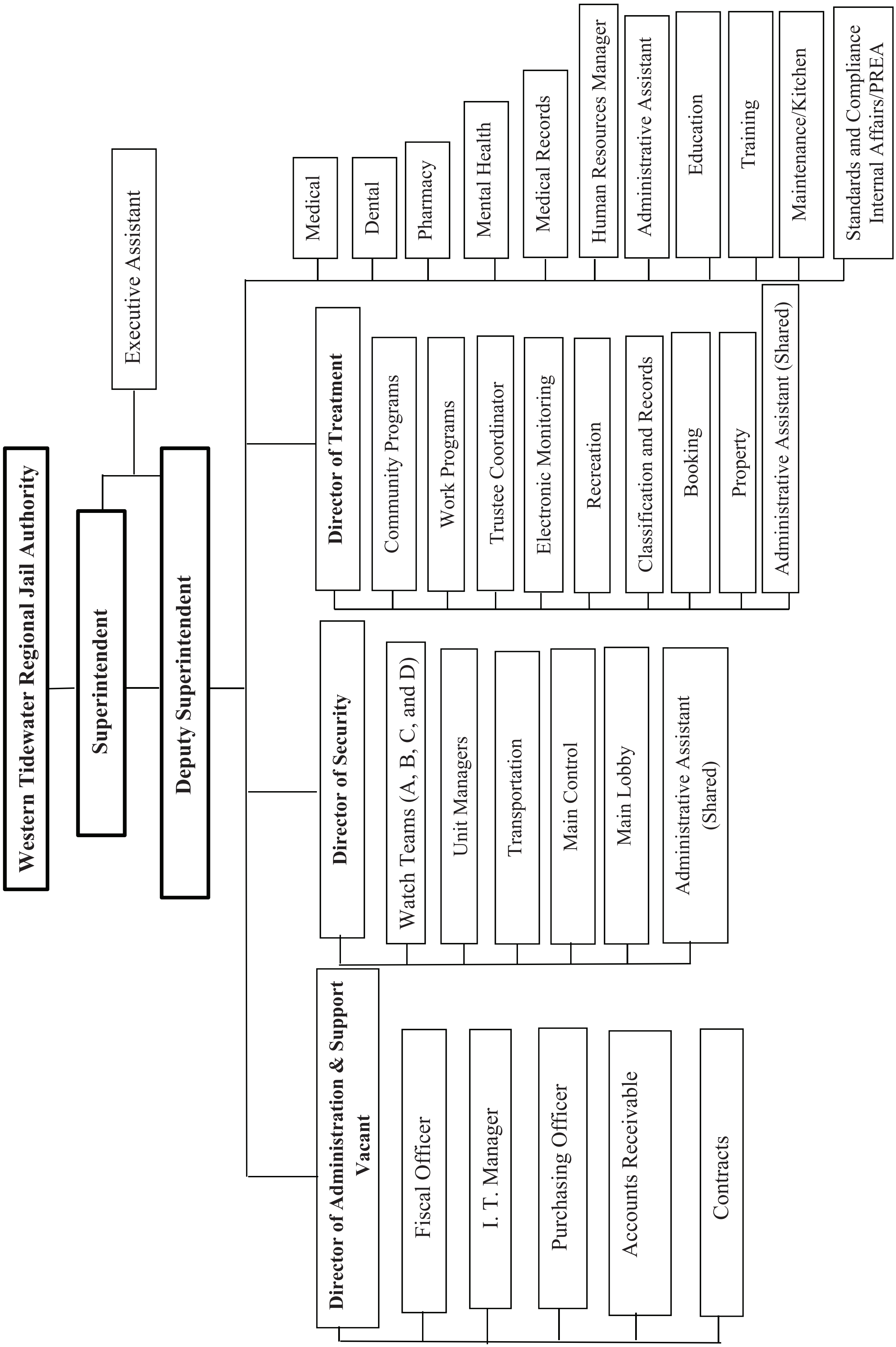
***Franklin:***

- Barry W. Cheatham, Vice Mayor, Franklin, City Council Member
  WTRJ Authority **Vice Chairman**, Personnel Committee

- John B. Stutts, Sheriff (Southampton County), Franklin
  WTRJ Authority Personnel Committee

- Linwood W. Johnson, City Council Member, Franklin
  WTRJ Authority Personnel Committee

- Amanda Jarratt, City Manager, Franklin (Alternate)
  WTRJ Authority Finance Committee


Western Tidewater Regional Jail Authority
Superintendent
Executive Assistant
Deputy Superintendent
Director of Administration & Support
Vacant
Fiscal Officer
I. T. Manager
Purchasing Officer
Accounts Receivable
Contracts
Director of Security
Watch Teams (A, B, C, and D)
Unit Managers
Transportation
Main Control
Main Lobby
Administrative Assistant
(Shared)
Director of Treatment
Community Programs
Work Programs
Trustee Coordinator
Electronic Monitoring
Recreation
Classification and Records
Booking
Property
Administrative Assistant (Shared)
Medical
Dental
Pharmacy
Mental Health
Medical Records
Human Resources Manager
Administrative Assistant
Education
Training
Maintenance/Kitchen
Standards and Compliance
Internal Affairs/PREA

## Principal Officials

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

**WESTERN TIDEWATER REGIONAL JAIL**

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

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

***Superintendent***
**William C. Smith**


**November 7, 2019**

**Members of the Board**
**Western Tidewater Regional Jail**

The Comprehensive Annual Financial Report (CAFR) of the Western Tidewater Regional Jail Authority (Authority) for the fiscal year ended June 30, 2019 is submitted herewith in accordance with applicable requirements, including the provisions of the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts, Commonwealth of Virginia as revised July 2019. This report was prepared by the Authority's Administration Division in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

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

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

## Profile of the Government

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

## Profile of the Government: (Continued)

In January 2014, the Authority updated its contract with the U.S. Marshals Service (USMS) to house Federal inmates awaiting trial or awaiting final assignment after sentencing. To prevent charges for inmate transportation and off-site security watches, the Marshals Service must maintain a population of 75 inmates. We currently house between 165 and 235 USMS inmates. In April 2017, an amendment to the contract was signed which allowed WTRJ to be reimbursed for any hospital watches exceeding a 24-hour period.

## Information Useful in Assessing Economic Condition

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

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

Operating Revenues exceeded budget by $1.126 million or 6.86% while Expenses exceeded budget by $637 thousand or 4.10%. After negating non-cash items such as depreciation and gain or loss on disposals of assets, the Authority finished the year with a positive variance of $2.415 million. Most categories or groupings of both revenues and expenses came in at under 10% variance except for:

1. Federal Revenues (for United States Marshals Service) — 52.4% over budget

2. Inmate Revenues (Room & Board, Work Release Revenues, Commissions from various inmate programs) — 25.97% over budget

## Information Useful in Assessing Economic Condition: (Continued)

This was the Authority's fifth year of using a line item budget in the accounting system, which gave management better control of expenditures and allowed us to better utilize our capital through programs like bulk purchasing, alternate vendors, and better cash management. For FY2019, the entire budget was built using individual line items at actual adjusted for CPI or known adjustments (actual insurance rates, contracted values, etc.). A Capital Budget was created in FY2018 and is continuing to be utilized.

Items of Note:

1. We had implemented a number of auxiliary programs and services in FY2018 which are all continuing to be utilized:

    a. A Guardian RFID system that tracks an inmate anywhere in the facility via an ID card they are issued.
    b. A Telemedicine device which is a fully operational video conferencing type system that allows several instruments to be plugged in such as a heart monitor, blood pressure cuff, a high definition camera, etc. Doctors and/or psychiatrists can utilize this outside of the facility.
    c. A Tablet program that includes educational, informational, recreational, and entertainment applications as well as telephone calling and video visitation.

2. We continue to have a strong working relationship with the United States Marshals Service (USMS) and the Bureau of Prisons (BOP). We expect this relationship to continue to improve into the future.

## Major Initiatives - Outside Compliance Audits

The Commonwealth of Virginia Board of Corrections continued to grant unconditional certification to the Authority following its triennial inspection in January 2017. This certification was originally granted in 1993.

Certification inspections are conducted every three years and unannounced Life, Health and Safety (LHS) inspections are conducted annually. The last Life, Health and Safety inspection was conducted in May 2019 and the Authority was in 100% compliance with all applicable standards.

The United States Marshals Service continued to grant unconditional certification to the Authority following its annual inspections of the facility with 100% compliance. The last USMS audit was completed in July 2018.

The last Federal Bureau of Prisons inspection was conducted in April 2019 and the Authority was in 100% compliance with applicable standards.

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

## Major Initiatives - Outside Compliance Audits (Continued)

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

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

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

## Major Initiatives Inside Programs to Reduce Recidivism

In our continuing efforts to reduce recidivism and to help our inmates successfully transition to being a productive member of society, we offer the following programs with the number of participants through our Education Department who successfully completed those programs for the last Fiscal Year: 2018 - 2019

Special Education 22 (Teaching individuals with IEP's or Special Needs)

Transition 9 (Teaching inmates not fitting normal criteria; for example, those with a low reading ability)

General Education 48 (Earned GED's 11)

Career Education 82 (Focuses on Careers, Health, Interviewing process, History, etc.)

Career Readiness Certificate 4 (Preparing inmates for Workforce Skills)

Alcoholics Anonymous 75 (Focuses on recovery and detoxification)

Substance abuse 77 (Provides treatment methods to help overcome addictive symptoms)

Anger Management 80 (Understanding life triggers and how to deal with them)

Seeking Safety 55 (Understanding trauma and how it has affected their behavior and how to cope with it)

Parenting 81 (Teaches inmates the proper way to motivate and discipline youthful children)

Females Building Bridges 95 (Reconnecting mother and child through recorded readings)

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

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

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

Re-Entry Suffolk Library 101 (Providing information to aide in job searches and career paths)

## Major Initiatives Inside Programs to Reduce Recidivism (Continued)

The Girls 60 (Giving Individual Love and Respect to Self)

Fatherhood and Motherhood 20 (Teaching incarcerated parents how to care for their children and maintain strained relationships with other parent)

## Accounting System

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

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

## Enterprise Fund Operations

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

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

## Independent Audit

Authority Bylaws require that the financial statements of the Authority be audited annually by a certified public accountant selected by the Authority's Board. An annual audit of the book of accounts, financial records, and transactions of all funds of the Authority has been performed by Robinson, Farmer, Cox, Associates for the fiscal year ended June 30, 2019.

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

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Western Tidewater Regional Jail Authority for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. This was the fourth consecutive year that the Authority has achieved this award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## Acknowledgments

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

**Respectfully Submitted**

**William C. Smith, CJM**
**Superintendent**

**Karen Hatfield**
**Fiscal Officer**

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Western Tidewater Regional Jail**

**Virginia**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**June 30, 2018**

Christopher P. Morrill

Executive Director/CEO

Robinson, Farmer, Cox Associates, PLLC

*Certified Public Accountants*

CPAs | Consultants

## INDEPENDENT AUDITORS' REPORT

**BOARD OF DIRECTORS**
**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**
**SUFFOLK, VIRGINIA**

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

*Opinions*

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

***Change in Accounting Principles***

As described in Note 17 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 19-23 and 63-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of Western Tidewater Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Tidewater Regional Jail Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Regional Jail Authority's internal control over financial reporting and compliance.

Robinson Farmer Cox Associates

Charlottesville, Virginia
November 7, 2019

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

### Management's Discussion and Analysis
### Year Ended June 30, 2019

The following discussion and analysis of Western Tidewater Regional Jail Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Net position increased by $847 thousand or 20.8% during the year ended June 30, 2019 as compared to a decrease of approximately $200 thousand or 4.7% during the year ended June 30, 2018. The $200 thousand decrease in the prior year included a restatement of $625 thousand for implementation of GASB 75. Without the restatement, net position increased by $425 thousand.

- Operating revenues showed an increase of 3.0% during the year compared to an increase of 4.5% in 2018, while operating expenses reflected a modest increase of .5% over the prior year, slightly lower than the 1.5% increase in fiscal year 2018.

- The Authority's long-term debt decreased by $610,396 due to the payment of principal due on bonds.

**USING THIS ANNUAL REPORT**

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

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

## FINANCIAL ANALYSIS – ENTERPRISE FUNDS

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

The Authority's net position increased from last year by approximately $847 thousand. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities:

| | 2019 | 2018 | Amount Change | % Change |
|---|---|---|---|---|
| Current and other assets | $ 5,238,219 | $ 3,898,565 | $ 1,339,654 | 34.4% |
| Capital assets | 9,239,025 | 10,706,846 | (1,467,821) | -13.7% |
| Total assets | $ 14,477,244 | $ 14,605,411 | $ (128,167) | -0.9% |
| Deferred outflows of resources | $ 1,679,719 | $ 1,007,588 | $ 672,131 | 66.7% |
| Long-term liabilities | $ 9,177,778 | $ 9,185,026 | $ (7,248) | -0.1% |
| Current liabilities | 1,551,459 | 1,496,595 | 54,864 | 3.7% |
| Total liabilities | $ 10,729,237 | $ 10,681,621 | $ 47,616 | 0.4% |
| Deferred inflows of resources | $ 497,101 | $ 848,089 | $ (350,988) | -41.4% |
| Net position: | | | | |
| Net investment in capital assets | $ 1,848,259 | $ 2,705,685 | $ (857,426) | -31.7% |
| Restricted | 20,398 | 51,101 | (30,703) | -60.1% |
| Unrestricted | 3,061,968 | 1,326,503 | 1,735,465 | 130.8% |
| Total net position | $ 4,930,625 | $ 4,083,289 | $ 847,336 | 20.8% |

Restricted net position includes the balance of canteen commissions. The use of canteen funds is restricted to the benefit of inmates. Expenses paid with these funds include a portion of salaries and related benefits for the commissary officer and other related staff, canteen food and supplies, educational supplies, cable, and other items benefiting the inmates.

**FINANCIAL ANALYSIS – ENTERPRISE FUNDS: (CONTINUED)**

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

| | 2019 | 2018 | Amount Change | % Change |
|---|---|---|---|---|
| Operating revenues: | | | | |
| Commonwealth | $ 5,454,427 | $ 6,159,258 | $ (704,831) | -11.4% |
| Federal | 3,938,770 | 3,534,780 | 403,990 | 11.4% |
| City of Suffolk | 4,424,060 | 4,364,052 | 60,008 | 1.4% |
| City of Franklin | 948,013 | 921,983 | 26,030 | 2.8% |
| Isle of Wight County | 948,013 | 860,517 | 87,496 | 10.2% |
| Telephone commissions | 973,000 | 473,373 | 499,627 | 105.5% |
| Other | 874,004 | 737,746 | 136,258 | 18.5% |
| Total operating revenues | $ 17,560,287 | $ 17,051,709 | $ 508,578 | 3.0% |
| Operating expenses: | | | | |
| Personnel costs | $ 7,418,474 | $ 7,623,342 | $ (204,868) | -2.7% |
| Fringe benefits and payroll taxes | 2,719,026 | 2,526,397 | 192,629 | 7.6% |
| Medical supplies and services | 1,416,246 | 1,574,740 | (158,494) | -10.1% |
| Utilities | 837,014 | 755,120 | 81,894 | 10.8% |
| Contractual services | 1,585,744 | 1,463,799 | 121,945 | 8.3% |
| Depreciation | 1,561,834 | 1,724,866 | (163,032) | -9.5% |
| Other | 955,947 | 744,555 | 211,392 | 28.4% |
| Total operating expenses | $ 16,494,285 | $ 16,412,819 | $ 81,466 | 0.5% |
| Net operating income (loss) | $ 1,066,002 | $ 638,890 | $ 427,112 | 66.9% |
| Nonoperating revenues (expenses): | | | | |
| Interest income | $ 19,300 | $ 15,592 | $ 3,708 | 23.8% |
| Rental income | 9,000 | 9,000 | - | 0.0% |
| Interest expense | (254,791) | (238,415) | (16,376) | 6.9% |
| Gain on sale of capital assets | 7,825 | - | 7,825 | N/A |
| Nonoperating revenues (expenses), net | $ (218,666) | $ (213,823) | $ (12,668) | 5.9% |
| Change in net position | $ 847,336 | $ 425,067 | $ 422,269 | 99.3% |
| Net position, beginning of year | 4,083,289 | 4,283,222 | (199,933) | -4.7% |
| Restatement | - | (625,000) | 625,000 | -100.0% |
| Net position, end of year | $ 4,930,625 | $ 4,083,289 | $ 847,336 | 20.8% |

Operating revenues increased by 3.0% in 2019 compared to a 4.5% increase in 2018, mainly attributed to an increase of $499,627 in telephone commissions. Federal revenues increased by $403,990 or 11.4% but were offset by a decrease of $704,831 or 11.4% in revenues from the Commonwealth. Member revenues, determined during the budget process and based on a running average of housing numbers for the prior three years, were increased in 2019 in comparison to constant rates for 2017 and 2018.

Operating expenses increased by .5% in 2019 compared to the 1.5% increase in 2018. Although there was a decrease in personnel costs, it was largely offset by increased fringe benefits impacted by pension and OPEB adjustments. Medical supplies and services decreased by $158,494 compared to an increase of $384,066 in 2018. Other changes were modest. Energy upgrades completed in fiscal year 2016 continues to show savings on utilities expenses, as projected.

## FINANCIAL ANALYSIS – ENTERPRISE FUNDS: (CONTINUED)

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

| | 2019 | 2018 | Amount Change | % Change |
|---|---|---|---|---|
| Cash flows provided by (used for): | | | | |
| Operating activities | $ 2,373,748 | $ 1,680,512 | $ 693,236 | 41.3% |
| Noncapital and related financing activities | 9,000 | 9,000 | - | 0.0% |
| Capital and related financing activities | (959,174) | (983,723) | 24,549 | -2.5% |
| Investing activities | 19,300 | 15,592 | 3,708 | 23.8% |
| Net increase (decrease) in cash and cash equivalents | $ 1,442,874 | $ 721,381 | $ 721,493 | 100.0% |
| Cash and cash equivalents, beginning of year | 2,761,906 | 2,040,525 | 721,381 | 35.4% |
| Cash and cash equivalents, end of year | $ 4,204,780 | $ 2,761,906 | $ 1,442,874 | 52.2% |

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. There was a positive flow of cash from operating activities, which increased 41.3% from the 2018 amounts. This is dependent on the budget in order to fund debt service and operating requirements.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. There was a decrease of $24,549 in cash spent on capital and related financing activities this year, due to less capital activity. Debt activity was consistent with the prior year.

Cash flows from investing activities include interest and investment earnings.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, the Authority had $9.2 million invested in capital assets comprised of the land, building and improvements, land improvements, machinery, equipment, and office equipment of the regional jail. The net change of $1,467,821 represents equipment and vehicles capitalized during the year offset by depreciation expense of $1,561,833.

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

| | 2019 | 2018 |
|---|---|---|
| Land | $ 37,455 | $ 37,455 |
| Building and improvements | 6,858,430 | 8,049,908 |
| Land improvements | 101,049 | 126,311 |
| Machinery and equipment | 2,124,795 | 2,322,300 |
| Office furniture | 117,296 | 170,872 |
| Net capital assets | $ 9,239,025 | $ 10,706,846 |

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

### Capital Financing Debt

At year-end, the Authority had $3.1 million in revenue bonds outstanding and $4.3 million outstanding related to the new energy performance contract bond. No new financing was obtained during the year. For additional analysis related to long-term debt activities, see Note 8.

### Contacting the Authority's Financial Management

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

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# Basic Financial Statements

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Exhibit 1

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

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

| | Operating Fund | Canteen Fund | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and cash equivalents | $ 4,203,755 | $ 1,025 | $ 4,204,780 |
| Accounts receivable | 95,644 | 55,791 | 151,435 |
| Internal balances | 4,118 | (4,118) | - |
| Due from other governmental units | 831,832 | - | 831,832 |
| Prepaids | 50,172 | - | 50,172 |
| Total current assets | $ 5,185,521 | $ 52,698 | $ 5,238,219 |
| Noncurrent Assets: | | | |
| Capital assets (net of accumulated depreciation): | | | |
| Land | $ 37,455 | $ - | $ 37,455 |
| Land improvements | 101,049 | - | 101,049 |
| Building and improvements | 6,858,430 | - | 6,858,430 |
| Machinery and equipment | 2,124,795 | - | 2,124,795 |
| Office furniture | 117,296 | - | 117,296 |
| Total capital assets | $ 9,239,025 | $ - | $ 9,239,025 |
| Total noncurrent assets | $ 9,239,025 | $ - | $ 9,239,025 |
| Total assets | $ 14,424,546 | $ 52,698 | $ 14,477,244 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Pension related items | $ 1,601,541 | $ - | $ 1,601,541 |
| OPEB related items | 78,178 | - | 78,178 |
| Total deferred outflows of resources | $ 1,679,719 | $ - | $ 1,679,719 |
| **LIABILITIES** | | | |
| Current Liabilities: | | | |
| Accounts payable | $ 433,131 | $ 32,300 | $ 465,431 |
| Accrued liabilities | 7,952 | - | 7,952 |
| Accrued interest payable | 99,160 | - | 99,160 |
| Long-term liabilities, current portion | 707,583 | - | 707,583 |
| Unearned revenue | 271,333 | - | 271,333 |
| Total current liabilities | $ 1,519,159 | $ 32,300 | $ 1,551,459 |
| Noncurrent Liabilities: | | | |
| Long-term liabilities, net of current portion | $ 9,177,778 | $ - | $ 9,177,778 |
| Total noncurrent liabilities | $ 9,177,778 | $ - | $ 9,177,778 |
| Total liabilities | $ 10,696,937 | $ 32,300 | $ 10,729,237 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Pension related items | $ 443,101 | $ - | $ 443,101 |
| OPEB related items | 54,000 | - | 54,000 |
| Total deferred inflows of resources | $ 497,101 | $ - | $ 497,101 |
| **NET POSITION** | | | |
| Net investment in capital assets | $ 1,848,259 | $ - | $ 1,848,259 |
| Restricted for inmates | - | 20,398 | 20,398 |
| Unrestricted | 3,061,968 | - | 3,061,968 |
| Total net position | $ 4,910,227 | $ 20,398 | $ 4,930,625 |

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

**Exhibit 2**

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

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

| | Operating Fund | Canteen Fund | Total |
|---|---|---|---|
| **Operating Revenues:** | | | |
| Commonwealth | $ 5,454,427 | $ - | $ 5,454,427 |
| Federal | 3,938,770 | - | 3,938,770 |
| City of Suffolk | 4,424,060 | - | 4,424,060 |
| City of Franklin | 948,013 | - | 948,013 |
| Isle of Wight County | 948,013 | - | 948,013 |
| Telephone commissions | 973,000 | - | 973,000 |
| Room and board | 64,242 | - | 64,242 |
| Work release and weekenders | 244,953 | - | 244,953 |
| Canteen commissions | - | 175,126 | 175,126 |
| Miscellaneous | 389,683 | - | 389,683 |
| Total operating revenues | $ 17,385,161 | $ 175,126 | $ 17,560,287 |
| **Operating Expenses:** | | | |
| Personnel costs | $ 7,335,511 | $ 82,963 | $ 7,418,474 |
| Fringe benefits | 2,151,089 | 26,421 | 2,177,510 |
| Payroll taxes | 535,170 | 6,346 | 541,516 |
| Medical supplies and services | 1,416,246 | - | 1,416,246 |
| Utilities | 837,014 | - | 837,014 |
| Repairs and maintenance | 349,431 | - | 349,431 |
| Insurance | 25,594 | - | 25,594 |
| Contractual services | 1,580,802 | 4,942 | 1,585,744 |
| Vehicle expenses | 59,964 | - | 59,964 |
| Administrative | 246,048 | - | 246,048 |
| Inmate supplies | 95,773 | 37,403 | 133,176 |
| Inmate support | - | 47,754 | 47,754 |
| Officer expenses | 80,378 | - | 80,378 |
| Miscellaneous | 13,602 | - | 13,602 |
| Depreciation | 1,561,834 | - | 1,561,834 |
| Total operating expenses | $ 16,288,456 | $ 205,829 | $ 16,494,285 |
| Net operating income (loss) | $ 1,096,705 | $ (30,703) | $ 1,066,002 |
| **Nonoperating Revenues (Expenses):** | | | |
| Interest income | $ 19,300 | $ - | $ 19,300 |
| Rental income | 9,000 | - | 9,000 |
| Interest expense | (254,791) | - | (254,791) |
| Gain on disposal of capital assets | 7,825 | - | 7,825 |
| Net nonoperating revenues (expenses) | $ (218,666) | $ - | $ (218,666) |
| Change in net position | $ 878,039 | $ (30,703) | $ 847,336 |
| Net position, beginning of year | 4,032,188 | 51,101 | 4,083,289 |
| Net position, end of year | $ 4,910,227 | $ 20,398 | $ 4,930,625 |

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

Exhibit 3

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

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

| | Operating Fund | Canteen Fund | Total |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Receipts from customers and users | $ 17,159,022 | $ 119,379 | $ 17,278,401 |
| Other operating revenue | 389,683 | - | 389,683 |
| Payments to suppliers | (4,670,231) | (86,007) | (4,756,238) |
| Payments to and for employees | (9,887,198) | (109,384) | (9,996,582) |
| Payments to agencies | (535,170) | (6,346) | (541,516) |
| Total cash flows provided by (used for) operating activities | $ 2,456,106 | $ (82,358) | $ 2,373,748 |
| Cash flows from noncapital and related financing activities: | | | |
| Rental income | $ 9,000 | $ - | $ 9,000 |
| Total cash flows provided by (used for) noncapital and related financing activities | $ 9,000 | $ - | $ 9,000 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | $ (94,012) | $ - | $ (94,012) |
| Sale of capital assets | 7,825 | - | 7,825 |
| Principal paid on long-term liabilties | (610,396) | - | (610,396) |
| Interest paid on long-term liabilities | (262,591) | - | (262,591) |
| Total cash flows provided by (used for) capital and related financing activities | $ (959,174) | $ - | $ (959,174) |
| Cash flows from investing activities: | | | |
| Interest income | $ 19,300 | $ - | $ 19,300 |
| Total cash flows provided by (used for) investing activities | $ 19,300 | $ - | $ 19,300 |
| Net increase (decrease) in cash and cash equivalents | $ 1,525,232 | $ (82,358) | $ 1,442,874 |
| Cash and cash equivalents, beginning of year | 2,678,523 | 83,383 | 2,761,906 |
| Cash and cash equivalents, end of year | $ 4,203,755 | $ 1,025 | $ 4,204,780 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | | | |
| Operating income (loss) | $ 1,096,705 | $ (30,703) | $ 1,066,002 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 1,561,834 | - | 1,561,834 |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | |
| Accounts receivable | (57,338) | (10,637) | (67,975) |
| Internal balances | 45,110 | (45,110) | - |
| Due from other governmental units | 175,772 | - | 175,772 |
| Prepaids | (4,577) | - | (4,577) |
| Deferred outflows of resources - pension related | (636,195) | - | (636,195) |
| Deferred outflows of resources - OPEB related | (35,936) | - | (35,936) |
| Accounts payable | 39,198 | 4,092 | 43,290 |
| Accrued liabilities | 316 | - | 316 |
| Compensated absences | (82,051) | - | (82,051) |
| Net pension liability | 689,256 | - | 689,256 |
| Net OPEB liability | 15,000 | - | 15,000 |
| Deferred inflows of resources - pension related | (340,988) | - | (340,988) |
| Deferred inflows of resources - OPEB related | (10,000) | - | (10,000) |
| Total cash flows provided by (used for) operating activities | $ 2,456,106 | $ (82,358) | $ 2,373,748 |

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

Exhibit 4

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

**FIDUCIARY FUNDS**

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

| | | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash | $ | 225,008 |
| Accounts receivable | | 420 |
| Total assets | $ | 225,428 |
| **LIABILITIES** | | |
| Accounts payable | $ | 69,180 |
| Amounts held for inmate benefits | | 156,215 |
| Amounts held for employee benefits | | 33 |
| Total liabilities | $ | 225,428 |

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

## NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES:

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

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

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

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

### A. Basis of Accounting

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

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

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

### A. Basis of Accounting (continued)

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

Enterprise Funds

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

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

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

Canteen funds are restricted for the benefit of inmates. Expenses paid with these funds include a portion of salaries and related benefits for the commissary officer and other related staff, canteen food and supplies, educational supplies, cable, and other items benefiting the inmates.

Agency Funds

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

### B. Use of Estimates

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

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

### C. Cash, Cash Equivalents and Investments

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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. However, there are no investments at June 30, 2019.

The by-laws state "in the event the minimum working capital level is required to be drawn below 10% of the operating expense levels due to an emergency or severe economic circumstances, the Authority will fund a "reserve" line item in the succeeding budgets, not to exceed 5 budget cycles or until such policy requirements are met. The minimum funding level will be 2% of the operating budget and may be adjusted higher." Also, the Authority is to maintain a 3-month reserve of expected claims for inmate health expenses. The reserve requirements were met in FY19. With the reserve fund policy requirements being met, the member jurisdictions were not required to provide a 2% funding requirement as outlined in the Authority's financial policy.

### D. Accounts receivable

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

### E. Capital Assets

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

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

### F. Vacation and Sick Pay

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

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

### G. Pensions

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

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

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

### I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has pension and OPEB related items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability and net OPEB liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

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

### J. Net Position

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

### K. Net Position Flow Assumption

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

### L. Budgets and Budgetary Accounting

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

## NOTE 3 – DEPOSITS AND INVESTMENTS:

### Deposits:

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

### Investment Policy:

In accordance with the Code of Virginia (1950), as amended, and other applicable laws, and regulations, the Authority's investment policy (Policy) permits investments in United States government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, and mutual funds that invest exclusively in securities specifically permitted under the Policy and the State Treasurer's Local Government Investment Pool (the Virginia LGIP). At June 30, 2019, the Authority held no investments.

## NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

| | | |
|---|---|---|
| **Due from Commonwealth of Virginia:** | | |
| Compensation Board | $ | 449,196 |
| DOC medical billings | | 15,786 |
| **Due from Federal Government:** | | |
| US Marshals - Norfolk | | 275,770 |
| US Marshals - Other | | 85,525 |
| Bureau of Prisons | | 5,555 |
| Total due from other governmental units | $ | 831,832 |

## NOTE 5 - CAPITAL ASSETS:

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

| | Balance July 1, 2018 | Increases | Decreases | Balance June 30, 2019 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 37,455 | $ - | $ - | $ 37,455 |
| Total capital assets not being depreciated | $ 37,455 | $ - | $ - | $ 37,455 |
| Capital assets being depreciated: | | | | |
| Building and improvements | $ 30,563,416 | $ - | $ - | $ 30,563,416 |
| Land improvements | 757,863 | - | - | 757,863 |
| Machinery and equipment | 3,220,431 | 94,012 | 25,527 | 3,288,916 |
| Office furniture | 267,882 | - | - | 267,882 |
| Total capital assets being depreciated | $ 34,809,592 | $ 94,012 | $ 25,527 | $ 34,878,077 |
| Accumulated depreciation: | | | | |
| Building and improvements | $ 22,513,508 | $ 1,191,478 | $ - | $ 23,704,986 |
| Land improvements | 631,552 | 25,262 | - | 656,814 |
| Machinery and equipment | 898,131 | 291,517 | 25,527 | 1,164,121 |
| Office furniture | 97,010 | 53,576 | - | 150,586 |
| Total accumulated depreciation | $ 24,140,201 | $ 1,561,833 | $ 25,527 | $ 25,676,507 |
| Total capital assets being depreciated, net | $ 10,669,391 | $ (1,467,821) | $ - | $ 9,201,570 |
| Net capital assets | $ 10,706,846 | $ (1,467,821) | $ - | $ 9,239,025 |

Depreciation amounted to $1,561,834 at June 30, 2019.

## NOTE 6 – ECONOMIC DEPENDENCE:

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

## NOTE 7 – UNEARNED REVENUE:

The Authority receives a total of $973,000 for telephone commission over four quarterly installments each year. Each month, this amount is adjusted to reflect the revenue earned with a true-up of total commissions done, annually. Unearned revenue related to telephone commission was $271,333 at June 30, 2019.

## NOTE 8 - CONTRACT OBLIGATIONS:

On February 1, 2016, the Authority entered into a three-year cancelable agreement with Aramark Correction Services, LLC to provide food service for the jail inmates and staff. As part of this agreement, Aramark granted the facility $40,000 to overhaul the officer's dining area and paid $30,000 in upfront commission on the Fresh Favorites/iCare program, which allows friends and family or the inmates to order specialty food items. The pricing structure for the new agreement decreased the per meal price from approximately $1.10 a meal per inmate/staff for a seven hundred average daily population to $.925 per meal. The original contract expired on January 30, 2019 and we exercised the first one (1) year renewal. Per meal prices for each subsequent 12-month period are increased on each anniversary of the Effective Date by the yearly percentage change in CPI-FAH, although price increases shall be capped at 4% per year. Actual meal costs for fiscal year 2019 were $840,212.

## NOTE 9 - COMPENSATED ABSENCES:

The Authority accrued the liability arising from outstanding compensated absences. The Authority has outstanding vacation and compensation time pay totaling $699,253 at June 30, 2019 and considers 10% of the balance to be a current liability.

## NOTE 10 – LINE OF CREDIT:

The Authority has a line of credit with Farmers Bank. The line of credit is available up to $500,000 with a percentage rate of .500 percentage points under the index (currently 5.50%) with a floor of 3.00% or ceiling of 18.00% per annum or the maximum rate allowed by applicable law. There was no activity on the line of credit for the year ended June 30, 2019.

## NOTE 11 - LONG-TERM LIABILITIES:

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

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

In the event of default, the lender may declare the unpaid principal balance of the bonds, along with all accrued and unpaid interest thereon, to be immediately due and payable.

As of June 30, 2019, the Authority's outstanding debt consisted of the following:

| Year Issued | Description | Interest Rate | Amount Outstanding |
|---|---|---|---|
| 2014 | Revenue and Refunding Bond - Series 2014B | 2.980% | $ 3,129,000 |
| 2016 | Energy Performance Contract Bond | 3.720% | 4,261,765 |

Following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

| | Balance July 1, 2018 | Issuances/ Increases | Retirements/ Decreases | Balance June 30, 2019 | Amount Due Within One Year |
|---|---|---|---|---|---|
| Direct borrowings and placements: | | | | | |
| Revenue and refunding bonds | $ 3,534,000 | $ - | $ 405,000 | $ 3,129,000 | $ 413,000 |
| Energy performance contract bond | 4,467,161 | - | 205,396 | 4,261,765 | 224,658 |
| Total direct borrowings and placements | $ 8,001,161 | $ - | $ 610,396 | $ 7,390,765 | $ 637,658 |
| Compensated absences | 781,304 | 151,862 | 233,913 | 699,253 | 69,925 |
| Net pension liability | 519,087 | 3,637,395 | 2,948,139 | 1,208,343 | - |
| Net OPEB liability | 572,000 | 112,000 | 97,000 | 587,000 | - |
| Total long-term liabilities | $ 9,873,552 | $ 3,901,257 | $ 3,889,448 | $ 9,885,361 | $ 707,583 |

**NOTE 11 – LONG-TERM LIABILITIES: (continued)**

The annual requirements to amortize bonds are as follows:

| | Direct Borrowings and Placements | | | |
|---|---|---|---|---|
| | Revenue and Refunding Bonds | | Energy Performance Contract Bond | |
| June 30, | Principal | Interest | Principal | Interest |
| 2020 | $ 413,000 | $ 87,090 | $ 224,658 | $ 156,450 |
| 2021 | 424,000 | 74,619 | 232,460 | 148,021 |
| 2022 | 435,000 | 61,820 | 281,280 | 138,920 |
| 2023 | 447,000 | 48,678 | 305,298 | 128,233 |
| 2024 | 458,000 | 35,194 | 330,621 | 116,641 |
| 2025-2029 | 952,000 | 28,549 | 2,083,067 | 374,059 |
| 2030-2031 | - | - | 804,381 | 30,563 |
| Totals | $ 3,129,000 | $ 335,950 | $ 4,261,765 | $ 1,092,887 |

**NOTE 12 – PENSION PLAN**

***Plan Description***

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

***Benefit Structures***

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

a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

**NOTE 12 – PENSION PLAN: (continued)**

***Benefit Structures: (Continued)***

b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

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

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

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

## NOTE 12 – PENSION PLAN: (continued)

### *Employees Covered by Benefit Terms*

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

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 92 |
| Inactive members: | |
| Vested inactive members | 17 |
| Non-vested inactive members | 84 |
| Inactive members active elsewhere in VRS | 60 |
| Total inactive members | 161 |
| Active members | 180 |
| Total covered employees | 433 |

### *Contributions*

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

The Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 14.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $987,285 and $965,346 for the years ended June 30, 2019 and June 30, 2018, respectively.

### *Net Pension Liability*

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

**NOTE 12 – PENSION PLAN: (continued)**

***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, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

**NOTE 12 – PENSION PLAN: (continued)**

***Actuarial Assumptions – General Employees (continued)***

Mortality rates: (continued)

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

**NOTE 12 – PENSION PLAN: (continued)**

***Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

## NOTE 12 – PENSION PLAN: (continued)

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

Mortality rates: (continued)

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

**NOTE 12 – PENSION PLAN: (continued)**

***Long-Term Expected Rate of Return***

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

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

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

**NOTE 12 – PENSION PLAN: (continued)**

***Discount Rate***

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

***Changes in Net Pension Liability***

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2017 | $ 27,511,198 | $ 26,992,111 | $ 519,087 |
| Changes for the year: | | | |
| Service cost | $ 1,235,833 | $ - | $ 1,235,833 |
| Interest | 1,880,480 | - | 1,880,480 |
| Differences between expected and actual experience | 886,050 | - | 886,050 |
| Contributions - employer | - | 964,617 | (964,617) |
| Contributions - employee | - | 366,741 | (366,741) |
| Net investment income | - | 2,000,424 | (2,000,424) |
| Benefit payments, including refunds of employee contributions | (1,294,403) | (1,294,403) | - |
| Administrative expenses | - | (16,874) | 16,874 |
| Other changes | - | (1,801) | 1,801 |
| Net changes | $ 2,707,960 | $ 2,018,704 | $ 689,256 |
| Balances at June 30, 2018 | $ 30,219,158 | $ 29,010,815 | $ 1,208,343 |

**NOTE 12 – PENSION PLAN: (continued)**

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

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

| | Rate | | |
|---|---|---|---|
| | (6.00%) | (7.00%) | (8.00%) |
| Net Pension Liability (Asset) | $ 5,041,220 | $ 1,208,343 | $ (1,983,532) |

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

For the year ended June 30, 2019, the Authority recognized pension expense of $698,629. At June 30, 2019, 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 | $ 614,256 | $ 86,832 |
| Change in assumptions | - | 106,652 |
| Net difference between projected and actual earnings on pension plan investments | - | 249,617 |
| Employer contributions subsequent to the measurement date | 987,285 | - |
| Total | $ 1,601,541 | $ 443,101 |

$987,285 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 ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | |
|---|---|
| 2020 | $ 184,851 |
| 2021 | 211,858 |
| 2022 | (203,486) |
| 2023 | (22,068) |
| Thereafter | - |

## NOTE 12 – PENSION PLAN: (continued)

### *Pension Plan Data*

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB):

### Group Life Insurance (GLI) Program:

### *Plan Description*

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

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

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

### *Eligible Employees*

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

### *Benefit Amounts*

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

***Contributions***

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were $37,178 and $38,242 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the entity reported a liability of $587,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .03868% as compared to .03803% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of $7,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 29,000 | $ 11,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 19,000 |
| Change in assumptions | - | 24,000 |
| Changes in proportion | 12,000 | - |
| Employer contributions subsequent to the measurement date | 37,178 | - |
| Total | $ 78,178 | $ 54,000 |

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)**

**Group Life Insurance (GLI) Program: (continued)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)***

$37,178 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2020 | $ | (6,000) |
| 2021 | | (6,000) |
| 2022 | | (6,000) |
| 2023 | | (1,000) |
| 2024 | | 3,000 |
| Thereafter | | 3,000 |

*Actuarial Assumptions*

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

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

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

*Actuarial Assumptions: (Continued)*

**Mortality Rates – Largest Ten Locality Employers – General Employees:**

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

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

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

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

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

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

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

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

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

*Actuarial Assumptions: (Continued)*

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

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

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

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees**

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

*Actuarial Assumptions: (Continued)*

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

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

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

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

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

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

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

*Actuarial Assumptions: (Continued)*

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

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

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

***NET GLI OPEB Liability***

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

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

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

*Long-Term Expected Rate of Return*

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

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

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Group Life Insurance (GLI) Program: (continued)

#### *Discount Rate*

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

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| Authority's proportionate share of the GLI Net OPEB Liability | $ 768,000 | $ 587,000 | $ 441,000 |

#### *GLI Program Fiduciary Net Position*

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

## NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (OPEB): (CONTINUED)

### Line of Duty Act (LODA)

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Authority's LODA coverage is fully covered or "insured" through VML. This is built into the LODA coverage cost presented in the annual renewals. The Authority's LODA premium for the year ended June 30, 2019 was $49,496.

## NOTE 14 - DEFERRED COMPENSATION PLAN:

The Authority provides an approved deferred compensation plan (Plan) under Section 457 of the Internal Revenue Code. All Authority employees are eligible to participate and may elect to defer up to 25% of their gross income up to a maximum of $19,000 per year for employees under 50 years of age and $25,000 for employees 50 or older. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan are administered by a third-party administrator, ICMA Retirement Corporation.

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

## NOTE 15 – CONTINGENCIES:

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

## NOTE 16 – RISK MANAGEMENT:

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

## NOTE 17 – ADOPTION OF ACCOUNTING PRINCIPLES:

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

## NOTE 18 – UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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## - Required Supplementary Information -

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**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Schedule of Changes in Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Total pension liability** | | | | | |
| Service cost | $ 1,235,833 | $ 1,150,645 | $ 1,133,475 | $ 1,030,439 | $ 1,030,092 |
| Interest | 1,880,480 | 1,792,680 | 1,689,978 | 1,577,173 | 1,456,525 |
| Differences between expected and actual experience | 886,050 | (127,737) | (207,853) | (79,923) | - |
| Changes in assumptions | - | (278,670) | - | - | - |
| Benefit payments, including refunds of employee contributions | (1,294,403) | (1,270,882) | (1,025,953) | (806,430) | (719,710) |
| **Net change in total pension liability** | $ 2,707,960 | $ 1,266,036 | $ 1,589,647 | $ 1,721,259 | $ 1,766,907 |
| **Total pension liability - beginning** | 27,511,198 | 26,245,162 | 24,655,515 | 22,934,256 | 21,167,349 |
| **Total pension liability - ending (a)** | $ 30,219,158 | $ 27,511,198 | $ 26,245,162 | $ 24,655,515 | $ 22,934,256 |
| | | | | | |
| **Plan fiduciary net position** | | | | | |
| Contributions - employer | $ 964,617 | $ 922,904 | $ 938,533 | $ 898,305 | $ 989,437 |
| Contributions - employee | 366,741 | 386,861 | 347,325 | 326,368 | 320,817 |
| Net investment income | 2,000,424 | 2,943,177 | 422,285 | 1,018,499 | 2,954,712 |
| Benefit payments, including refunds of employee contributions | (1,294,403) | (1,270,882) | (1,025,953) | (806,430) | (719,710) |
| Administrative expense | (16,874) | (16,605) | (14,194) | (13,325) | (15,253) |
| Other | (1,801) | (2,638) | (176) | (216) | 156 |
| **Net change in plan fiduciary net position** | $ 2,018,704 | $ 2,962,817 | $ 667,820 | $ 1,423,201 | $ 3,530,159 |
| **Plan fiduciary net position - beginning** | 26,992,111 | 24,029,294 | 23,361,474 | 21,938,273 | 18,408,114 |
| **Plan fiduciary net position - ending (b)** | $ 29,010,815 | $ 26,992,111 | $ 24,029,294 | $ 23,361,474 | $ 21,938,273 |
| | | | | | |
| **Authority's net pension liability - ending (a) - (b)** | $ 1,208,343 | $ 519,087 | $ 2,215,868 | $ 1,294,041 | $ 995,983 |
| | | | | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | 96.00% | 98.11% | 91.56% | 94.75% | 95.66% |
| | | | | | |
| **Covered payroll** | $ 7,333,287 | $ 7,000,758 | $ 6,766,817 | $ 6,456,217 | $ 6,290,626 |
| | | | | | |
| **Authority's net pension liability as a percentage of covered payroll** | 16.48% | 7.41% | 32.75% | 20.04% | 15.83% |

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

Exhibit 6

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Schedule of Employer Contributions - Pension Plan
Years Ended June 30, 2010 through June 30, 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2019 | $ 987,285 | $ 987,285 | $ - | $ 7,060,989 | 13.98% |
| 2018 | 965,346 | 965,346 | - | 7,333,287 | 13.16% |
| 2017 | 923,023 | 923,023 | - | 7,000,758 | 13.18% |
| 2016 | 942,618 | 942,618 | - | 6,766,817 | 13.93% |
| 2015 | 899,351 | 899,351 | - | 6,456,217 | 13.93% |
| 2014 | 989,515 | 989,515 | - | 6,290,626 | 15.73% |
| 2013 | 965,219 | 965,219 | - | 6,136,168 | 15.73% |
| 2012 | 749,144 | 749,144 | - | 6,026,901 | 12.43% |
| 2011 | 738,208 | 738,208 | - | 5,938,922 | 12.43% |
| 2010 | 604,502 | 604,502 | - | 5,874,656 | 10.29% |

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Notes to Required Supplementary Information - Pension Plan
Year Ended June 30, 2019

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

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

Largest 10 – Non-Hazardous Duty:

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

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

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

Largest 10 – Hazardous Duty:

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

All Others (Non 10 Largest) – Hazardous Duty:

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

**Exhibit 8**

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Schedule of Authority's Share of Net OPEB Liability - Group Life Insurance Program
For the Measurement Dates of June 30, 2017 through June 30, 2018

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---|---|---|---|---|---|
| 2018 | 0.03868% | $ 587,000 | $ 7,354,214 | 7.98% | 51.22% |
| 2017 | 0.03803% | 572,000 | 7,000,758 | 8.17% | 48.86% |

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

**Exhibit 9**

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions - Group Life Insurance Program
Years Ended June 30, 2014 through June 30, 2019

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2019 | $ 37,178 | $ 37,178 | $ - | $ 7,095,192 | 0.52% |
| 2018 | 38,242 | 38,242 | - | 7,354,214 | 0.52% |
| 2017 | 36,482 | 36,482 | - | 7,000,758 | 0.52% |
| 2016 | 32,568 | 32,568 | - | 6,766,817 | 0.48% |
| 2015 | 28,355 | 28,355 | - | 6,456,217 | 0.44% |
| 2014 | 29,746 | 29,746 | - | 6,290,626 | 0.47% |

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

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Notes to Required Supplementary Information - Group Life Insurance Program
Year Ended June 30, 2019

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

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

Largest Ten Locality Employers - General Employees:

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

Non-Largest Ten Locality Employers - General Employees:

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

Largest Ten Locality Employers - Hazardous Duty Employees:

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees:

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

## - Other Supplementary Information -

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Exhibit 11

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

**AGENCY FUNDS**

**Combining Statement of Changes in Assets and Liabilities**
**Year Ended June 30, 2019**

| | Balance July 1, 2018 | Additions | Deductions | Balance June 30, 2019 |
|---|---|---|---|---|
| Inmate Fund | | | | |
| Assets: | | | | |
| Cash | $ 121,089 | $ 858,481 | $ 837,756 | $ 141,814 |
| Liabilities: | | | | |
| Amounts held for inmate benefits | $ 69,087 | $ 795,634 | $ 785,754 | $ 78,967 |
| Accounts payable | 52,002 | 62,847 | 52,002 | 62,847 |
| Total liabilities | $ 121,089 | $ 858,481 | $ 837,756 | $ 141,814 |
| Work Release Fund | | | | |
| Assets: | | | | |
| Cash | $ 27,363 | $ 577,390 | $ 521,592 | $ 83,161 |
| Accounts receivable | 3,785 | 420 | 3,785 | 420 |
| Total assets | $ 31,148 | $ 577,810 | $ 525,377 | $ 83,581 |
| Liabilities: | | | | |
| Amounts held for inmate benefits | $ 31,148 | $ 571,477 | $ 525,377 | $ 77,248 |
| Accounts payable | - | 6,333 | - | 6,333 |
| Total liabilities | $ 31,148 | $ 577,810 | $ 525,377 | $ 83,581 |
| Employee Wellness Funds | | | | |
| Assets: | | | | |
| Cash | $ 1,633 | $ - | $ 1,600 | $ 33 |
| Liabilities: | | | | |
| Amounts held for employee benefits | $ 1,633 | $ - | $ 1,600 | $ 33 |
| TOTALS: | | | | |
| Assets: | | | | |
| Cash | $ 150,085 | $ 1,435,871 | $ 1,360,948 | $ 225,008 |
| Accounts receivable | 3,785 | 420 | 3,785 | 420 |
| Total assets | $ 153,870 | $ 1,436,291 | $ 1,364,733 | $ 225,428 |
| Liabilities: | | | | |
| Accounts payable | $ 52,002 | $ 69,180 | $ 52,002 | $ 69,180 |
| Amounts held for inmate benefits | 100,235 | 1,367,111 | 1,311,131 | 156,215 |
| Amounts held for employee benefits | 1,633 | - | 1,600 | 33 |
| Total liabilities | $ 153,870 | $ 1,436,291 | $ 1,364,733 | $ 225,428 |

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## - Statistical Tables -

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



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

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**TABLE 1**

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Net Position - By Component
Last Ten Years

| | Fiscal Year | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** |
| Net investment in capital assets | $ 1,848,259 | $ 2,705,685 | $ 3,672,089 | $ 4,435,600 | $ 5,544,599 | $ 6,546,947 | $ 7,284,975 | $ 9,947,050 |
| Restricted | 20,398 | 51,101 | 59,716 | 202,947 | 331,336 | 297,126 | 442,151 | 403,319 |
| Unrestricted | 3,061,968 | 1,326,503 | 551,417 | (274,677) | (1,862,788) | (106,650) | 590,597 | 1,574,576 |
| Total net position | $ 4,930,625 | $ 4,083,289 | $ 4,283,222 | $ 4,363,870 | $ 4,013,147 | $ 6,737,423 | $ 8,317,723 | $ 11,924,945 |

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Changes in Net Position
Last Ten Years

| | Fiscal Year | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Operating revenues: | | | |
| Commonwealth | $ 5,454,427 | $ 6,159,258 | $ 6,140,870 |
| Federal | 3,938,770 | 3,534,780 | 2,946,669 |
| City of Suffolk | 4,424,060 | 4,364,052 | 4,364,037 |
| City of Franklin | 948,013 | 921,983 | 921,980 |
| Isle of Wight County | 948,013 | 860,517 | 860,514 |
| Other localities | - | - | - |
| Telephone commissions | 973,000 | 473,373 | 387,110 |
| Room and board | 64,242 | 64,248 | 104,772 |
| Work release and weekenders | 244,953 | 185,699 | 239,556 |
| Canteen commissions | 175,126 | 176,115 | 176,715 |
| Miscellaneous | 389,683 | 311,684 | 172,121 |
| Total operating revenues | $ 17,560,287 | $ 17,051,709 | $ 16,314,344 |
| Operating expenses: | | | |
| Personnel costs | $ 7,418,474 | $ 7,623,342 | $ 7,221,586 |
| Fringe benefits | 2,177,510 | 1,961,384 | 2,344,965 |
| Payroll taxes | 541,516 | 565,013 | 546,178 |
| Medical supplies and services | 1,416,246 | 1,574,740 | 1,190,674 |
| Food purchases and kitchen supplies | - | - | - |
| Utilities | 837,014 | 755,120 | 711,616 |
| Repairs and maintenance | 349,431 | 202,396 | 150,004 |
| Insurance | 25,594 | 22,347 | 21,623 |
| Contractual services | 1,585,744 | 1,463,799 | 1,585,837 |
| Other supplies | - | - | - |
| Vehicle expenses | 59,964 | 66,223 | 78,670 |
| Administrative | 246,048 | 188,633 | 246,150 |
| Inmate supplies | 133,176 | 102,445 | 100,901 |
| Inmate support | 47,754 | 39,672 | 45,566 |
| Officer expenses | 80,378 | 100,165 | 116,615 |
| Miscellaneous | 13,602 | 22,674 | 10,259 |
| Depreciation | 1,561,834 | 1,724,866 | 1,801,747 |
| Total operating expenses | $ 16,494,285 | $ 16,412,819 | $ 16,172,391 |
| Net operating income (loss) | $ 1,066,002 | $ 638,890 | $ 141,953 |
| Nonoperating revenues (expenses): | | | |
| Interest income | $ 19,300 | $ 15,592 | $ 7,201 |
| Rental income | 9,000 | 9,000 | 9,000 |
| Gain (loss) on disposal of capital assets | 7,825 | - | - |
| Costs of issuance | - | - | - |
| Interest and fiscal charges | (254,791) | (238,415) | (238,802) |
| Net nonoperating revenues (expenses) | $ (218,666) | $ (213,823) | $ (222,601) |
| Change in net position | $ 847,336 | $ 425,067 | $ (80,648) |

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

TABLE 2

| 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|
| $ 6,155,431 | $ 6,179,880 | $ 5,810,750 | $ 4,756,098 | $ 4,541,671 |
| 3,101,294 | 2,083,685 | 2,833,101 | 3,774,744 | 3,970,299 |
| 4,303,091 | 3,797,045 | 2,588,491 | 2,588,491 | 2,575,604 |
| 922,091 | 851,235 | 570,990 | 570,990 | 522,586 |
| 922,091 | 909,852 | 647,123 | 647,123 | 634,569 |
| - | - | 1,780 | - | - |
| 360,000 | 360,000 | 368,251 | 405,313 | - |
| 135,209 | 168,412 | 163,366 | 157,286 | 133,339 |
| 271,372 | 192,203 | 167,553 | 88,898 | 63,559 |
| 259,695 | 240,277 | 161,090 | 179,900 | 175,280 |
| 93,195 | 112,653 | 84,971 | 66,859 | 389,974 |
| $ 16,523,469 | $ 14,895,242 | $ 13,397,466 | $ 13,235,702 | $ 13,006,881 |
| | | | | |
| $ 6,981,093 | $ 6,509,641 | $ 5,677,615 | $ 5,695,977 | $ 5,637,268 |
| 1,794,957 | 1,547,630 | 2,697,823 | 2,651,609 | 2,309,546 |
| 518,321 | 508,084 | 469,540 | 460,254 | 455,352 |
| 1,540,395 | 2,030,054 | 1,423,268 | 1,309,019 | 979,139 |
| - | - | - | 896,146 | 793,890 |
| 1,257,469 | 1,284,077 | 1,246,525 | 1,140,506 | 1,025,980 |
| 212,612 | 211,612 | 483,716 | 494,220 | 511,229 |
| 20,400 | 83,835 | 91,471 | 100,997 | 145,304 |
| 1,605,288 | 1,453,141 | 1,086,299 | 216,712 | 155,724 |
| - | - | - | 110,054 | 87,277 |
| 51,331 | 56,235 | 61,787 | - | - |
| 191,112 | 155,560 | 102,796 | 138,284 | 105,161 |
| 101,472 | 105,414 | 48,553 | 41,611 | 34,751 |
| 117,951 | 49,365 | 232,381 | 75,633 | 209,511 |
| 98,705 | 65,535 | 38,648 | 24,057 | 38,998 |
| 3,089 | 500 | 4,292 | 42,283 | 66,034 |
| 1,479,751 | 1,426,686 | 1,470,947 | 1,419,522 | 1,218,949 |
| $ 15,973,946 | $ 15,487,369 | $ 15,135,661 | $ 14,816,884 | $ 13,774,113 |
| $ 549,523 | $ (592,127) | $ (1,738,195) | $ (1,581,182) | $ (767,232) |
| | | | | |
| $ 9,234 | $ 5,384 | $ 2,663 | $ 7,603 | $ 991 |
| 9,000 | - | - | - | - |
| (19,117) | (261,637) | 4,107 | 4,151 | 60 |
| (97,626) | - | (53,600) | - | - |
| (100,291) | (106,099) | (176,544) | (201,920) | (179,188) |
| $ (198,800) | $ (362,352) | $ (223,374) | $ (190,166) | $ (178,137) |
| $ 350,723 | $ (954,479) | $ (1,961,569) | $ (1,771,348) | $ (945,369) |

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Member and Other Local Government Revenues
Last Ten Years

| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County | Other Localities | Total |
|---|---|---|---|---|---|
| 2019 | $ 4,424,060 | $ 948,013 | $ 948,013 | $ - | $ 6,320,086 |
| 2018 | 4,364,052 | 921,983 | 860,517 | - | 6,146,552 |
| 2017 | 4,364,037 | 921,980 | 860,514 | - | 6,146,531 |
| 2016 | 4,303,091 | 922,091 | 922,091 | - | 6,147,273 |
| 2015 | 3,797,045 | 851,235 | 909,852 | - | 5,558,132 |
| 2014 | 2,588,491 | 570,990 | 647,123 | 1,780 | 3,808,384 |
| 2013 | 2,588,491 | 570,990 | 647,123 | - | 3,806,604 |
| 2012 | 2,575,604 | 522,586 | 634,569 | - | 3,732,759 |
| 2011 | 1,965,834 | 421,250 | 421,250 | 650 | 2,808,984 |

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

**TABLE 4**

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Percentage of Member Budget Based on Population
Last Ten Years

| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County |
|---|---|---|---|
| 2019 | 70% | 15% | 15% |
| 2018 | 71% | 15% | 14% |
| 2017 | 71% | 15% | 14% |
| 2016 | 70% | 15% | 15% |
| 2015 | 69% | 15% | 16% |
| 2014 | 69% | 15% | 16% |
| 2013 | 68% | 15% | 17% |
| 2012 | 68% | 15% | 17% |
| 2011 | 70% | 15% | 15% |

A direct rate is not applied to this revenue source.
The board votes on the budget as a whole and the approved amount is divided by a 3 year running average of inmate population to determine the allocation of funding between member localities.

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Total Revenue - By Source
Last Ten Years

| Fiscal Year | Commonwealth Reimbursement | Commonwealth Per Diems | Commonwealth Medical Reimb | Total from Commonwealth | Member Per Diems |
|---|---|---|---|---|---|
| 2019 | $ 4,787,053 | $ 796,940 | $ (129,566) | $ 5,454,427 | $ 6,320,086 |
| 2018 | 4,708,643 | 1,119,098 | 331,517 | 6,159,258 | 6,146,552 |
| 2017 | 4,701,683 | 1,284,068 | 155,119 | 6,140,870 | 6,146,531 |
| 2016 | 4,822,979 | 1,332,452 | 220,614 | 6,376,045 | 6,147,273 |
| 2015 | 4,681,044 | 1,085,249 | 413,587 | 6,179,880 | 5,558,132 |
| 2014 | 4,825,263 | 847,726 | 137,761 | 5,810,750 | 3,806,604 |
| 2013 | 4,510,466 | 245,632 | - | 4,756,098 | 3,806,604 |
| 2012 | 4,471,608 | 70,063 | - | 4,541,671 | 3,732,759 |

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

| Federal | Work Release & Weekenders | Telephone Commissions | Room & Board | Inmates Commissary | Miscellaneous Revenues | Total Revenues |
|---|---|---|---|---|---|---|
| $ 3,938,770 | $ 244,953 | $ 973,000 | $ 64,242 | $ 175,126 | $ 389,683 | $ 17,560,287 |
| 3,534,780 | 185,699 | 473,373 | 64,248 | 176,115 | 311,684 | 17,051,709 |
| 2,946,669 | 239,556 | 387,110 | 104,772 | 176,715 | 188,322 | 16,330,545 |
| 2,880,680 | 271,372 | 360,000 | 135,209 | 259,695 | 111,429 | 16,541,703 |
| 2,083,685 | 192,203 | 360,000 | 168,412 | 240,277 | 118,037 | 14,900,626 |
| 2,833,101 | 167,553 | 368,251 | 163,366 | 161,090 | 853,134 | 14,163,849 |
| 3,774,744 | 88,898 | 405,313 | 157,286 | 179,900 | 78,613 | 13,247,456 |
| 3,970,299 | 63,559 | 328,007 | 133,339 | 175,280 | 63,018 | 13,007,932 |

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

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

| Fiscal Year | Revenue Bonds | Energy Performance Bond | Notes Payable | Vehicle Loans |
|---|---|---|---|---|
| 2019 | $ 3,129,000 | $ 4,261,765 | $ - | $ - |
| 2018 | 3,534,000 | 4,467,161 | - | - |
| 2017 | 3,933,000 | 4,675,657 | - | - |
| 2016 | 4,326,000 | 4,782,376 | - | 104,245 |
| 2015 | 4,713,000 | - | 53,473 | 39,022 |
| 2014 | 5,120,000 | - | 111,806 | 60,228 |
| 2013 | 5,546,000 | - | 170,139 | - |
| 2012 | 6,048,000 | - | - | - |

(1) Total for members - from table 8.

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

| Total | Annual Personal Income (1) | Ratio of Debt to Personal Income | Population (1) | Debt Per Capita |
|---|---|---|---|---|
| $ 7,390,765 | $ Unavailable | Unavailable | Unavailable | $ Unavailable |
| 8,001,161 | Unavailable | Unavailable | 135,288 | 59.14 |
| 8,608,657 | 7,426,137 | 116% | 138,340 | 62.23 |
| 9,212,621 | 7,174,381 | 128% | 137,393 | 67.05 |
| 4,805,495 | 6,960,274 | 69% | 135,399 | 35.49 |
| 5,292,034 | 6,604,786 | 80% | 132,563 | 39.92 |
| 5,716,139 | 6,147,971 | 93% | 131,580 | 43.44 |
| 6,048,000 | 6,106,619 | 99% | 130,711 | 46.27 |

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Revenue Bond Coverage
Last Ten Years

| Fiscal Year | Operating Revenues (1) | Operating Expenses Less Depreciation (1) | Income Available for Debt Service | Annual Revenue Bond Debt Service (2) | Coverage |
|---|---|---|---|---|---|
| 2019 | $ 17,385,161 | $ 14,726,622 | $ 2,658,539 | $ 872,986 | 3.05 |
| 2018 | 16,875,594 | 14,503,223 | 2,372,371 | 832,756 | 2.85 |
| 2017 | 16,137,629 | 14,050,698 | 2,086,931 | 809,802 | 2.58 |
| 2016 | 16,263,774 | 14,105,908 | 2,157,866 | 488,181 | 4.42 |
| 2015 | 14,654,965 | 13,884,459 | 770,506 | 488,395 | 1.58 |
| 2014 | 13,236,376 | 13,358,212 | (121,836) | 741,967 | (0.16) |
| 2013 | 13,055,802 | 13,255,330 | (199,528) | 700,119 | (0.28) |
| 2012 | 12,831,601 | 12,375,400 | 456,201 | 542,188 | 0.84 |

(1) Information excludes activity of canteen fund, which is not available for debt service.
(2) Actual principal and interest due on revenue bond and energy performance contract financing.

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

TABLE 8

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Demographic Statistics for Member Jurisdictions
Last Ten Years

**Total Annual Personal Income (1)**

| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County | Totals |
|---|---|---|---|---|
| 2018 | $ Unavailable | $ Unavailable | $ Unavailable | $ Unavailable |
| 2017 | 4,525,842 | 956,894 | 1,943,401 | 7,426,137 |
| 2016 | 4,326,809 | 946,389 | 1,874,183 | 7,174,381 |
| 2015 | 4,190,597 | 930,617 | 1,839,060 | 6,960,274 |
| 2014 | 3,940,083 | 883,392 | 1,781,311 | 6,604,786 |
| 2013 | 3,579,047 | 937,344 | 1,631,580 | 6,147,971 |
| 2012 | 3,521,692 | 959,122 | 1,625,805 | 6,106,619 |
| 2011 | 3,335,935 | 877,457 | 1,559,051 | 5,772,443 |
| 2010 | 3,125,659 | 836,171 | 1,461,652 | 5,423,482 |

**Per Capita Personal Income (1)**

| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County | Totals |
|---|---|---|---|---|
| 2018 | $ Unavailable | $ Unavailable | $ Unavailable | $ Unavailable |
| 2017 | 49,779 | 38,707 | 53,168 | 141,654 |
| 2016 | 48,467 | 35,898 | 51,213 | 135,578 |
| 2015 | 47,533 | 34,987 | 50,643 | 133,163 |
| 2014 | 45,390 | 33,229 | 49,471 | 128,090 |
| 2013 | 41,749 | 35,020 | 45,759 | 122,528 |
| 2012 | 41,344 | 35,624 | 45,955 | 122,923 |
| 2011 | 39,279 | 32,506 | 44,198 | 115,983 |
| 2010 | 36,828 | 30,773 | 41,424 | 109,025 |

**Population (2)**

| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County | Totals |
|---|---|---|---|---|
| 2018 | 91,185 | 8,013 | 36,090 | 135,288 |
| 2017 | 92,533 | 8,474 | 37,333 | 138,340 |
| 2016 | 91,722 | 8,597 | 37,074 | 137,393 |
| 2015 | 90,426 | 8,535 | 36,438 | 135,399 |
| 2014 | 87,831 | 8,560 | 36,172 | 132,563 |
| 2013 | 86,463 | 8,655 | 36,462 | 131,580 |
| 2012 | 85,692 | 8,839 | 36,180 | 130,711 |
| 2011 | 84,585 | 8,680 | 35,457 | 128,722 |
| 2010 | 82,616 | 8,560 | 35,412 | 126,588 |

**Unemployment Rate (3)**

| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County |
|---|---|---|---|
| 2018 | 3.2% | 4.1% | 3.0% |
| 2017 | 4.1% | 5.6% | 3.7% |
| 2016 | 4.7% | 5.9% | 4.3% |
| 2015 | 5.0% | 5.3% | 4.6% |
| 2014 | 6.4% | 8.2% | 5.3% |
| 2013 | 6.5% | 9.4% | 5.7% |
| 2012 | 6.8% | 10.1% | 6.3% |
| 2011 | 7.3% | 11.5% | 6.9% |
| 2010 | 7.8% | 13.6% | 7.1% |

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

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Principal Employers
Current Year and Period Nine Years Ago

### Calendar Year 2018

#### City of Suffolk

| Rank | Employer | Employees |
|---|---|---|
| 1 | Suffolk Public Schools | 1,780 |
| 2 | Navy Information Dominance Forces (Cyber Forces) | 1,500 |
| 3 | Sentara Health System | 1,478 |
| 4 | J7 Joint Staff | 1,200 |
| 5 | City of Suffolk | 1,139 |
| 6 | Target | 1,100 |
| 7 | QVC | 900 |
| 8 | Sysco Food Services of Hampton Roads | 500 |
| 9 | Walmart | 450 |
| 10 | Planters/Kraft Foods | 340 |

#### City of Franklin

| Rank | Employer | Employees |
|---|---|---|
| 1 | Southampton Memorial Hospital | 300 - 599 |
| 2 | Walmart | 300 - 599 |
| 3 | Franklin City Public Schools | 100 - 299 |
| 4 | On Time Staffing | 100 - 249 |
| 5 | City of Franklin | 100 - 249 |
| 6 | Paul D. Camp Community College | 100 - 249 |
| 7 | Lowe's Home Center | 100 - 249 |
| 8 | Village at Woods Edge | 100 - 249 |
| 9 | VDOT | 50 - 99 |
| 10 | Elite Home Health Care | 50 - 99 |

#### Isle of Wight County

| Rank | Employer | Employees |
|---|---|---|
| 1 | Smithfield Fresh Meats Corporation | 1000+ |
| 2 | Isle of Wight County School Board | 500 - 999 |
| 3 | Keurig Dr. Pepper | 250 - 499 |
| 4 | County of Isle of Wight | 250 - 499 |
| 5 | International Paper Company | 250 - 499 |
| 6 | Food Lion | 100 - 249 |
| 7 | CR England | 100 - 249 |
| 8 | Cost Plus World Market | 100 - 249 |
| 9 | Smithfield Support Services Corp. | 100 - 249 |
| 10 | Packers Sanitation Service Inc. | 100 - 249 |

**Source:** Economic development departments from the related locality

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

## Calendar Year 2014

### City of Suffolk

| Rank | Employer | Employees |
|---|---|---|
| 1 | Suffolk Public Schools | 1,780 |
| 2 | Navy Information Dominance Forces (Cyber Forces) | 1,500 |
| 3 | Sentara Health System | 1,300 |
| 4 | J7 Joint Staff | 1,200 |
| 5 | City of Suffolk | 1,139 |
| 6 | QVC | 900 |
| 7 | Sysco Food Services of Hampton Roads | 500 |
| 8 | Walmart | 450 |
| 9 | Kraft/Planters Peanuts | 340 |
| 10 | Unilever/Lipton, Inc. | 300 |

### City of Franklin

| Rank | Employer | Employees |
|---|---|---|
| 1 | Southampton County Public Schools | 500 - 999 |
| 2 | Deerfield Correctional Center | 500 - 999 |
| 3 | Southampton Memorial Hospital | 250 - 499 |
| 4 | Franklin City Public Schools | 250 - 499 |
| 5 | Walmart | 250 - 499 |
| 6 | Narricot Industries | 100 - 249 |
| 7 | Southampton County | 100 - 249 |
| 8 | City of Franklin | 100 - 249 |
| 9 | Paul D. Camp Community College | 100 - 249 |
| 10 | Care Advantage | 100 - 249 |

### Isle of Wight County

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

TABLE 10

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Full-time Equivalent Employees
Last Ten Years

| As of June 30 | Jail Operations Sworn | Jail Operations Civilian | Total (1) |
|---|---|---|---|
| 2019 | 145 | 33 | 178 |
| 2018 | 142 | 33 | 175 |
| 2017 | 152 | 27 | 179 |
| 2016 | 148 | 22 | 170 |
| 2015 | 140 | 25 | 165 |
| 2014 | 141 | 25 | 166 |
| 2013 | 134 | 26 | 160 |

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

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

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Capital Asset Statistics
Last Ten Years

| Fiscal Year | Vehicles | Housing Units |
|---|---|---|
| 2019 | 22 | 6 |
| 2018 | 22 | 6 |
| 2017 | 22 | 6 |
| 2016 | 21 | 6 |
| 2015 | 19 | 6 |
| 2014 | 18 | 6 |
| 2013 | 19 | 6 |
| 2012 | 20 | 6 |
| 2011 | 20 | 6 |
| 2010 | 21 | 6 |

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Inmate Population Statistics
Last Ten Years

| | From | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | City of Suffolk | City of Franklin | Isle of Wight County | Total | Feds | Total ADP |
| 2019 | 344 | 71 | 100 | 515 | 207 | 722 |
| 2018 | 317 | 73 | 93 | 483 | 178 | 661 |
| 2017 | 340 | 75 | 97 | 512 | 147 | 659 |
| 2016 | 376 | 80 | 89 | 545 | 143 | 688 |
| 2015 | 413 | 83 | 74 | 570 | 104 | 674 |
| 2014 | 393 | 90 | 81 | 564 | 127 | 691 |
| 2013 | 395 | 83 | 84 | 562 | 154 | 716 |
| 2012 | 359 | 88 | 65 | 512 | 163 | 675 |
| 2011 | 334 | 77 | 92 | 503 | 197 | 700 |
| 2010 | 393 | 72 | 100 | 565 | 201 | 766 |

TABLE 12

| Admissions | Releases | Males | Females | Average Length of Stay (Days) |
|---|---|---|---|---|
| 6,138 | 5,993 | 6,265 | 1,284 | 39 |
| 5,591 | 5,660 | 5,099 | 1,186 | 215 |
| 6,436 | 5,713 | 5,246 | 1,274 | 38 |
| 4,239 | 4,149 | Unavailable | Unavailable | 112 |
| 5,602 | 5,501 | Unavailable | Unavailable | 95 |
| 6,183 | 6,186 | Unavailable | Unavailable | 97 |
| 7,002 | 7,013 | Unavailable | Unavailable | 84 |
| 6,655 | 6,622 | Unavailable | Unavailable | 81 |
| 6,641 | 6,811 | Unavailable | Unavailable | 96 |
| 6,778 | 6,728 | Unavailable | Unavailable | 92 |

TABLE 13

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Miscellaneous Statistical Data
June 30, 2019

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

TABLE 14

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

Schedule of Insurance in Force
As of June 30, 2019

| Insurance Coverage | Insurance Company | Expiration Date | Coverage Limit | | Deductible | |
|---|---|---|---|---|---|---|
| **Automobile Coverages:** | | | | | | |
| Automobile Liability | VML Insurance Programs | 6/30/2019 | $ | 1,000,000 Per occurrence | | none |
| Medical Payments Coverage | VML Insurance Programs | 6/30/2019 | $ | 10,000 Per person | | none |
| **Property Coverages:** | | | | | | |
| Blanket Buildings, Contents PIO | VML Insurance Programs | 6/30/2019 | $ | 44,709,675 | $ | 5,000 |
| Electronic Data Processing | VML Insurance Programs | 6/30/2019 | $ | 75,000 | $ | 5,000 |
| **Boiler & Machinery Coverage:** | | | | | | |
| Property Damange Limit | VML Insurance Programs | 6/30/2019 | $ | 10,000,000 Per accident | $ | 1,000 |
| Workers' Compensation | VML Insurance Programs | 6/30/2019 | Required Statutory Limits | | | none |
| Line of Duty | VML Insurance Programs | 6/30/2019 | Required Statutory Limits | | | none |
| Constitutional Officer General Liability - VaRisk (1) | Commonwealth of Virginia - Division of Risk Management | Continuous | $ | 1,000,000 | | none |
| Faithful Performance of Duty Bond (1) | Travelers Casualty and Surety Company of America | Continuous | $ | 30,000 | | none |

(1) Provided by the Commonwealth of Virginia

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- Compliance -

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

CPAs | CONSULTANTS

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

**BOARD OF DIRECTORS**
**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**
**SUFFOLK, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate remaining fund information of Western Tidewater Regional Jail Authority as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Western Tidewater Regional Jail Authority's basic financial statements and have issued our report thereon dated November 7, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**Authority's Response to Finding**

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

**Purpose of this Report**

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

Robinson Farmer Cox Associates

Charlottesville, Virginia
November 7, 2019

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

### Schedule of Findings and Responses
### For the Year Ended June 30, 2019

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

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies)? | Yes |
| Noncompliance material to financial statements noted? | No |

**Section II - Financial Statement Findings**

**2019-001**

Criteria: Identification of a material adjustment to the financial statements that was not detected by entity's internal controls indicates that a material weakness may exist.

Condition: The Authority's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP).

Effect: Assets and liabilities were overstated by $257,278 and $317,924.50. Of these totals, $240,000 was reclassified between assets and liabilities having no net impact on revenues, expenses, or net position.

Cause: Management failed to identify all year end accounting adjustments to properly state assets and liabilities. After significant turnover, finance staff and a financial consultant are becoming more familiar with year-end accrual adjustments necessary for financial statement preparation.

Recommendation: Management should review the audit adjustments made during the audit and incorporate adjustments prior to the next audit.

Management's Response: Management has already initiated additional training for the Fiscal Officer and contracted a financial consultant with expertise in governmental accounting to assist with technical matters.

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