WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

Prepared by the Administrative Division

William C. Smith, Superintendent

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

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Year Ended June 30, 2015

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
BOARD OF DIRECTORS

City of Suffolk:

- Raleigh H. Isaacs, Sheriff, Suffolk
  WTRJ Authority Personnel Committee

- Michael D. Duman, City Council Member, Suffolk
  WTRJ Authority **Secretary**, WTRJ Authority Finance Committee

- Lue Ward, City Council Member, Suffolk
  WTRJ Authority Personnel Committee (TBD)

- Lenora E. Reid, Finance Director, Suffolk (Alternate)
  WTRJ Authority Finance Committee

Isle of Wight:

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

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

- Rudolph Jefferson, Board of Supervisors, Isle of Wight

- Anne F. Seward, County Administrator, Isle of Wight (Alternate)
  WTRJ Authority Finance Committee

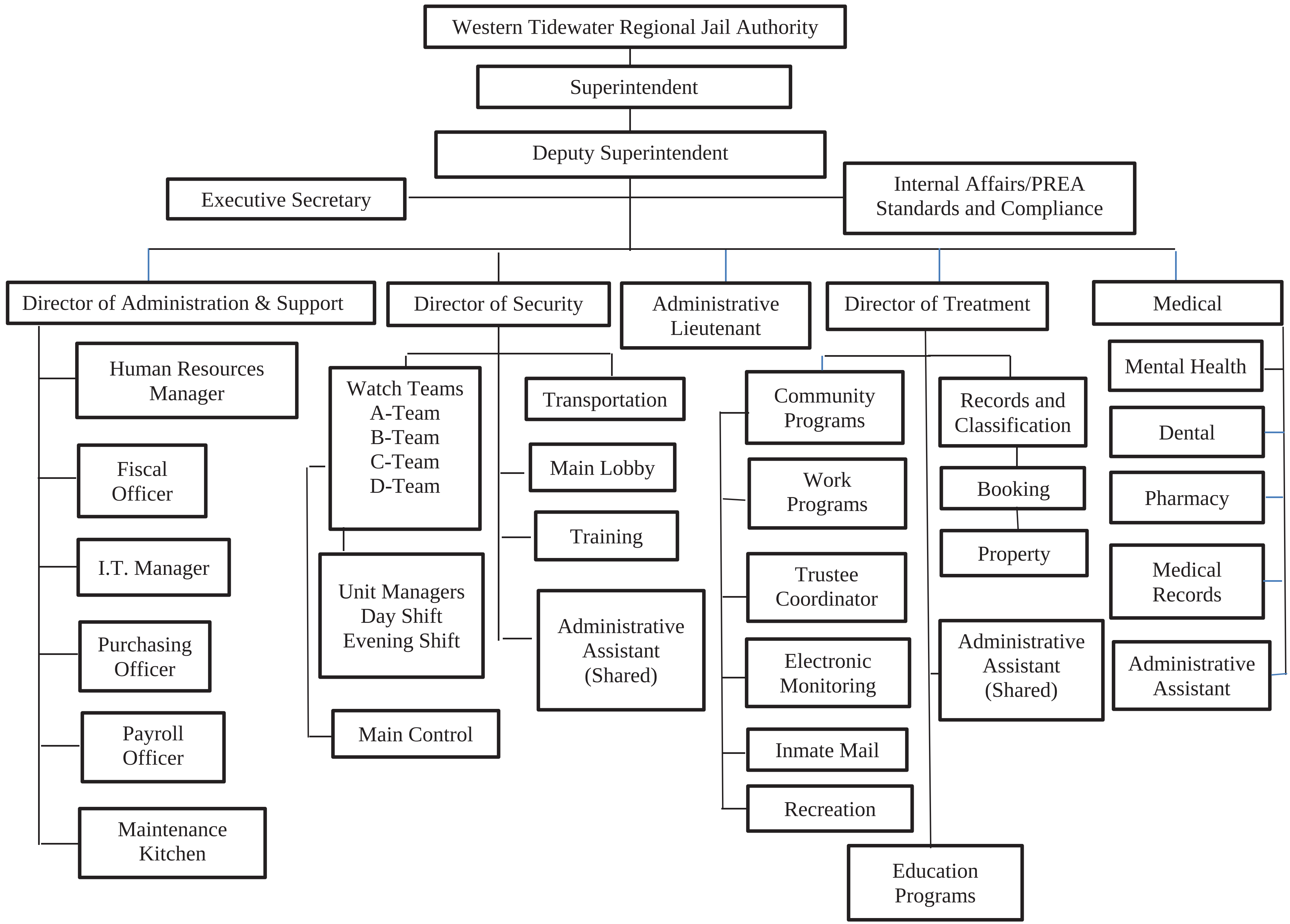
Franklin:

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

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

- Mona L. Murphy, City Council Member, Franklin

- Robert R. Martin, City Manager, Franklin (Alternate)
  WTRJ Authority Finance Committee



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

Principal Officials

First Name	Last Name	Rank	Team1
William C	Smith	Colonel - Superintendent	Admin
Antonio	Parham	Lt Colonel - Deputy Super	Admin
Edgar B	Wertheimer IV, CPA	Director - Administration	Admin
Stevie Lynn	Ezzell	Lieutenant	Admin
Ernest Lee	Bower	Administrative Lieutenant	Admin
Tammy	Carrier	Purchasing Officer	Admin
Dorothy	Wilford	Payroll Officer	Admin
Laura B	Conway PHR	Human Resources Manager	Admin
Carol Anne	Suits	Accounting Officer	Admin
David W	Davis	IT Manager	Admin
Cleveland L	Johnson Jr	Captain	Security
William R	Turner Jr	Lieutenant	Training
Charles F	Porter	Sergeant	Training
Grady	Massenburg III	Lieutenant	Transportation
Lawrence L.	Wiggins	Sergeant	Transportation
Alfred R	Lenyoun	Lieutenant	A Team
Darlito V	Cardenas	Sergeant	A Team
Karen	McQueen	Sergeant	A Team
Tanya D	Blair	Lieutenant	B Team
Brian K	Robinson	Sergeant	B Team
Leon	Parker Jr	Sergeant	B Team
John Lee	Gotterup	Lieutenant	C Team
Russell G	Moulton Jr	Sergeant	C Team
William Horace	Hutchings	Sergeant	C Team
Hilbert Lee	Twine Jr	Lieutenant	D Team
Patricia	Wilson	Sergeant	D Team
Leon	Dupree	Sergeant	D team
Melissa A	Jackson	Corporal	Unit Mgr - A & F
Tamitia LaShone	Wiggins	Corporal	Unit Mgr - A & F
Stanley D	Pittman	Corporal	Unit Mgr - B & E
Lemuel K	Jones	Corporal	Unit Mgr - B & E
Markay DeLano	Vaughan	Corporal	Unit Mgr - C & D
Victor Pierre	Branch	Corporal	Unit Mgr - C & D
Timothy M	Kigler	Lieutenant	Booking
Francine	Pryear	Sergeant	Booking
Joshua	Humphrey	Corporal	Booking - A Team
Keanessa L	Williams-Whiteh	Corporal	Booking - B Team
Joshua L	Bower	Corporal	Booking - C Team
Kristin	Simmons	Corporal	Booking - D Team
Ebony F	Hamlin	Corporal	Property
Cheryl Lynn	Palacios	Corporal	Classification
Arthur G	Miller	Sergeant	Classification
Michael W	Whalen	Lieutenant	Work Release
Anthony Keith	Perry	Sergeant	Work Release
Ronnie Earl	Sharpe	Education	Education Director
Robert R	Dematteo	Medical Director	Medical
Robert	Sturgeon	Maintenance Manager	Contract Employee
Ken	Peare	Food Service Manager	Contract Employee

WESTERN TIDEWATER REGIONAL JAIL
2402 Godwin Blvd., Suffolk, VA 23434 ▪ (757) 539-3119 ▪ Fax (757) 539-6409

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

Superintendent
William C. Smith

October 21, 2015

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, 2015 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 June 2015. This report was prepared by the Authority's Administration Division in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

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

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

Profile of the Government

The Authority is an intergovernmental joint venture created by the three jurisdictions of City of Suffolk, City of Franklin, and Isle of Wight County. The Authority is considered a stand-alone governmental entity for financial reporting purposes. The financial reporting entity includes two enterprise funds and two 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. None of the participating jurisdictions have their own jails.

Profile of the Government: (Continued)

In January 2014, the Authority updated its contract with the U.S. Marshall's Service (USMS) to house Federal inmates awaiting trial or awaiting final assignment after sentencing. To prevent charges for inmate transportation and off-site security watches, the Marshall Service must maintain a population of 75 inmates. We currently house between 100 and 120 USMS inmates

Information Useful in Assessing Economic Condition

The Authority's financial and economic outlook is stable. Effective with the contract signed in January 2014, the rate per day for federal inmates dropped from $75.00 to $55.00 and other concessions were made to keep the revenue stream intact. We also have an electronic monitoring program and a work release program that generate revenue for the Authority.

One area of concern for the Authority is any upcoming pronouncements from the Federal Communications Commission (FCC) which may eliminate commissions the Authority can receive from the inmate phone provider. Currently the Authority receives $360,000 a year in commissions. Currently programs like a tablet program with various applications are being investigated to reduce the impact on the localities if the FCC eliminates commissions.

The Authority builds a budget based upon best guess estimates for the upcoming year. The preliminary budget is discussed by the Board of Directors and then finally adopted as approved. The budget shortfall from expenses reduced by revenues from the Federal Government, the State of Virginia, and Inmate programs such as Work Release, Commissions from Inmate Programs, and from Room & Board and Medical Copays from the inmates is divided by the jurisdictions based on a 3 year running average of inmate population. The Authority receives payments in July and January for 50% of the annual jurisdictions' responsibilities. The Board voted on and approved a measure to prevent short payments or late payments from the jurisdictions that allows the use of fines, penalties, and interest as well as the ability of the Authority to refuse to accept any future inmates if the situation warrants such drastic measures.

Operating Revenues exceeded budget slightly by 355k or 2.56% while Expenses exceeded budget by 321k or 2.44%. GASB 68 became effective this year and had a net effect of a 455k reduction in expenses. 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 244K. Most categories or groupings of both revenues and expenses came in at under 10% variance except for:

1. Inmate Revenues (Room & Board, Work Release Revenues, Commissions from various inmate programs) — 28.33% over budget

2. Employee Retirement (due to GASB 68 adjustments) — 44.60% below budget

3. Inmate Medical Expenses (due to the large cost of the Inmate Insurance Program thru Anthem) — 29.68% over budget

4. Office Expenses (due to the addition of a computer Expense line and the wiring of the building) — 47.25% over budget

Information Useful in Assessing Economic Condition: (Continued)

This was the Authority's first year of using a line item budget in the accounting system, which required adjustments to individual line items since the budget was built on very broad categories. A best effort attempt was made to break the categories into line items to give greater clarity on variances. For FY2016, the entire budget was built using individual line items at actual adjusted for CPI or known adjustments (actual insurance rates, contracted values, etc.). A Capital Budget was not used in FY2015 but has been created for FY2016 as we define and enhance our accounting system and departmental roles.

Items of Note:

1. The FCC will be voting on 10/26/2015 on regulations that may reduce or eliminate telephone commissions meaning a potential reduction of revenue currently at $360K per year. In FY2015, we extended the current contract one year and received a prepayment for the period ending in February 2017.

2. A new inmate Insurance program thru Sentara/Optima was put into place in FY2016 which will save us approximately half of what we are currently paying.

3. Newport News will be opening a full-time Federal Court like the one in Norfolk and we are striving to be the primary housing location for that facility as well.

The Board approved an amendment in March of 2015 to add 2% of the budgeted expenditures for the upcoming year and place that 2% in the reserve accounts to bring them back to the agreed upon levels. This will remain in effect until the reserves are fully funded and will be repeated if the reserves fall below the threshold.

Major Initiatives

The Commonwealth of Virginia Board of Corrections continued to grant unconditional certification to the Authority following its triennial inspection in March 2014. The Authority was awarded recognition for 100% compliance with all applicable standards. This certification was originally granted in 1993.

Certification inspections are conducted every three years and unannounced Life, Health and Safety (LHS) inspections are conducted annually. The last Life, Health and Safety inspection was conducted in July 2013 and the Authority was in 100% compliance with applicable standards.

The Federal Bureau of Prisons and the United States Marshals Service continued to grant unconditional certification to the Authority following its annual inspections of the facility with 100% compliance. The USMS audit was completed on August 2014.

The last Federal Bureau of Prisons, and the United States Marshals Service inspection was conducted on September 23, 2015, and the Authority was in 100% compliance with applicable standards.

The LIDS Compliance audit was conducted in Jan 2014 with only 2 minor areas that were corrected. In addition, the PREA audit was completed on September 11, 2015 with only 2 minor areas noted that have been corrected.

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.

At the end of Fiscal Year Ended June 30, 2015, the Board approved a new policy which requires the participating jurisdictions to pay promptly on their semi-annual payments. If any jurisdiction is more than 30 days past due, that jurisdiction must pay a hefty penalty and will be assessed interest.

In March 2015, WTRJ entered into an agreement with Adventis Inc. to use their Pay-My-Jailor service. This service notifies the released inmate of money due the jail by letter and also provides convenient payment options and locations. The service costs the jail no dollars as a twenty five dollar fee is added to the balance owed to the jail. So far, WTRJ has seen some positive results from this program and looks forward to containing the relationship. The jail did investigate using a collection agency as a final step after Pay-My-Jailor but decided against it because the costs were so high and the possibility of collecting monies so low as to make the proposition uneconomical.

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, 2015.

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

Acknowledgments

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

Respectfully Submitted

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

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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, 2015, 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, 2015, 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 Principle

As described in Note 16 to the financial statements, in 2015, the Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 funding on pages 15-18 and 57-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of Western Tidewater Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

October 21, 2015

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, 2015. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position decreased by approximately $2.7 million or 40.4% during the year ended June 30, 2015 as compared to a decrease of $1.96 million or 23.6% during the year ended June 30, 2014. Operating revenues showed an increase of 11.2% during the year, while operating expenses reflected a modest increase of 2.3% over the prior year. In addition to a $.9 million loss, net position was restated by $1.4 largely as a result of the implementation of GASB 68.

- The Authority's long-term debt decreased by $486,539 due to principal payments made on outstanding obligations.

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 Western Tidewater Regional Jail Authority's basic financial statements as well as management's examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority's budget and other management tools were used for this analysis.

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

FINANCIAL ANALYSIS – ENTERPRISE FUNDS

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

The Authority's net position decreased from last year by approximately $2.7 million. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities:

	2015	2014	Amount Change	% Change
Current and other assets	$ 1,302,003	$ 1,578,054	$ (276,051)	-17.5%
Capital assets	10,350,094	11,838,981	(1,488,887)	-12.6%
Total assets	$ 11,652,097	$ 13,417,035	$ (1,764,938)	-13.2%
Deferred outflows of resources	$ 998,157	$ -	$ 998,157	100.0%
Long-term liabilities	$ 5,978,032	$ 5,413,726	$ 564,306	10.4%
Current liabilities	1,342,273	1,265,886	76,387	6.0%
Total liabilities	$ 7,320,305	$ 6,679,612	$ 640,693	9.6%
Deferred inflows of resources	$ 1,316,802	$ -	$ 1,316,802	100.00%
Net position:				
Net investment in capital assets	$ 5,544,599	$ 6,546,947	$ (1,002,348)	-15.3%
Restricted	331,336	297,126	34,210	11.5%
Unrestricted	(1,862,788)	(106,650)	(1,756,138)	1646.6%
Total net position	$ 4,013,147	$ 6,737,423	$ (2,724,276)	-40.4%

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

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:

	2015	2014	Amount Change	% Change
Operating revenues	$ 14,895,242	$ 13,397,466	$ 1,497,776	11.2%
Operating expenses	15,487,369	15,135,661	351,708	2.3%
Net operating income (loss)	$ (592,127)	$ (1,738,195)	$ 1,146,068	-65.9%
Nonoperating revenues (expenses), net	$ (362,352)	$ (223,374)	$ (138,978)	62.2%
Change in net position	$ (954,479)	$ (1,961,569)	$ 1,007,090	-51.3%
Net position beginning of year, as restated	4,967,626	8,698,992	(3,731,366)	-42.9%
Net position, end of year	$ 4,013,147	$ 6,737,423	$ (2,724,276)	-40.4%

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations. Therefore, beginning net position for 2015 as displayed above does not agree to ending net position for 2014.

Operating revenues increased by 11.2% in 2015 compared to a 1.2% increase in 2014, mainly attributed to an increase of approximately $1,751,528 or 46% in member revenues, which helped to offset a $749,416 or 26.5% decrease in federal revenues due to a decline in population. Member revenues are determined during the budget process and based on a running average of housing numbers for the prior three years.

Operating expenses increased by 2.32% compared to 2014, mainly attributable to an increase in personnel costs, medical supplies and services, and contractual services. The accounting for GASB 68 resulted in a reduction to pension expense for contributions made during 2015, which was offset with the actuarially calculated pension expense causing a net decrease of $455,170 compared to actual performance. Medical supplies and services increased by $606,786, related to a few inmates with chronic health issues, such as cancer and dialysis needs. For instance, the medication for one inmate was $90,000. DOC reimbursed $413,586 of these costs as they were related to inmates housed for them by the Jail. Contractual services increased by $366,842, but this was a result of reclassifying the Aramark maintenance contract from the building maintenance category to the contractual services category, resulting in a $272,104 decrease in that category.

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

	2015	2014	Amount Change	% Change
Cash flows provided by (used for):				
Operating activities	$ 586,368	$ 201,113	$ 385,255	191.6%
Capital and related financing activities	(768,875)	(813,182)	44,307	-5.4%
Investing activities	5,384	2,663	2,721	102.2%
Net increase (decrease) in cash and cash equivalents	$ (177,123)	$ (609,406)	$ 432,283	-70.9%
Cash and cash equivalents, beginning of year	711,881	1,321,287	(609,406)	-46.1%
Cash and cash equivalents, end of year	$ 534,758	$ 711,881	$ (177,123)	-24.9%

FINANCIAL ANALYSIS – ENTERPRISE FUNDS: (CONTINUED)

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. Similar to 2014, fiscal year 2015 saw an increase in cash flows from operating activities. The increase is related to the increase in operating revenues.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. There was a modest increase in this category. Shortly after year-end, financing was secured for an energy improvement project, which is expected to be completed in its entirety during fiscal year 2016.

Cash flows from investing activities include interest and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the Authority had $10.3 million invested in capital assets comprised of the land, building, land improvements, machinery, equipment, and office equipment of the regional jail. Although there were additions of $175,868, capital assets decreased by $1.1 million during the year mainly due to depreciation expense. There was also a major write-off of capital assets from the capital asset system during the year. Management analyzed the listing and merged several items that were capitalized in pieces, removed items that were no longer operating in the facility, and modified existing useful lives. This resulted in a restatement of $381,270 to accumulated depreciation and a disposal of assets with a $238,069 book value, including a few assets sold for a nominal amount.

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

	2015	2014
Land	$ 37,455	$ 37,455
Building and improvements	9,592,798	10,639,766
Land improvements	202,097	209,066
Machinery and equipment	483,934	569,536
Office furniture	33,810	1,889
Net capital assets	$ 10,350,094	$ 11,457,712

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

Capital Financing Debt

At year-end, the Authority had $4.7 million in revenue bonds outstanding. Near the end of 2014, the Authority also acquired two vehicle loans, which were used to purchase new vehicles in the beginning of fiscal year 2015. There is also an outstanding note obtained for kitchen repairs and equipment, which will be paid off in 2016. However, additional financing was obtained shortly after year-end for an energy improvement project. For additional analysis related to long-term debt activities, see Note 8.

Contacting the Authority's Financial Management

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

Basic Financial Statements

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Exhibit 1

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Net Position
As of June 30, 2015

	Operating Fund	Canteen Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 208,669	$ 111,445	$ 320,114
Investments	-	214,644	214,644
Accounts receivable	21,046	62,376	83,422
Internal balances	1,209	(1,209)	-
Due from other governmental units	617,266	-	617,266
Prepaids	66,557	-	66,557
Total current assets	$ 914,747	$ 387,256	$ 1,302,003
Noncurrent Assets:			
Capital assets (net of accumulated depreciation):			
Land	$ 37,455	$ -	$ 37,455
Land improvements	202,097	-	202,097
Building and improvements	9,592,798	-	9,592,798
Machinery and equipment	483,934	-	483,934
Office furniture	33,810	-	33,810
Total capital assets	$ 10,350,094	$ -	$ 10,350,094
Total noncurrent assets	$ 10,350,094	$ -	$ 10,350,094
Total assets	$ 11,264,841	$ 387,256	$ 11,652,097
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	$ 998,157	$ -	$ 998,157
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 500,425	$ 55,920	$ 556,345
Accrued liabilities	5,143	-	5,143
Accrued interest payable	38,791	-	38,791
Long-term liabilities, current portion	531,994	-	531,994
Unearned revenue	210,000	-	210,000
Total current liabilities	$ 1,286,353	$ 55,920	$ 1,342,273
Noncurrent Liabilities:			
Long-term liabilities, net of current portion	$ 5,978,032	$ -	$ 5,978,032
Total noncurrent liabilities	$ 5,978,032	$ -	$ 5,978,032
Total liabilities	$ 7,264,385	$ 55,920	$ 7,320,305
DEFERRED INFLOWS OF RESOURCES			
Items related to measurement of net pension liability	$ 1,316,802	$ -	$ 1,316,802
NET POSITION			
Net investment in capital assets	$ 5,544,599	$ -	$ 5,544,599
Restricted for inmates	-	331,336	331,336
Unrestricted	(1,862,788)	-	(1,862,788)
Total net position	$ 3,681,811	$ 331,336	$ 4,013,147

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, 2015

	Operating Fund	Canteen Fund	Total
Operating Revenues:			
Commonwealth	$ 6,179,880	$ -	$ 6,179,880
Federal	2,083,685	-	2,083,685
City of Suffolk	3,797,045	-	3,797,045
City of Franklin	851,235	-	851,235
Isle of Wight County	909,852	-	909,852
Telephone commissions	360,000	-	360,000
Room and board	168,412	-	168,412
Work release and weekenders	192,203	-	192,203
Canteen commissions	-	240,277	240,277
Miscellaneous	112,653	-	112,653
Total operating revenues	$ 14,654,965	$ 240,277	$ 14,895,242
Operating Expenses:			
Personnel costs	$ 6,452,445	$ 57,196	$ 6,509,641
Fringe benefits	1,523,224	24,406	1,547,630
Payroll taxes	501,718	6,366	508,084
Medical supplies and services	2,030,054	-	2,030,054
Utilities	1,284,077	-	1,284,077
Repairs and maintenance	211,612	-	211,612
Insurance	83,835	-	83,835
Contractual services	1,447,958	5,183	1,453,141
Vehicle expenses	56,235	-	56,235
Administrative	155,560	-	155,560
Inmate supplies	71,706	33,708	105,414
Inmate support	-	49,365	49,365
Officer expenses	65,535	-	65,535
Miscellaneous	500	-	500
Depreciation	1,426,686	-	1,426,686
Total operating expenses	$ 15,311,145	$ 176,224	$ 15,487,369
Net operating income (loss)	$ (656,180)	$ 64,053	$ (592,127)
Nonoperating Revenues (Expenses):			
Interest income	$ 5,169	$ 215	$ 5,384
Interest expense	(106,099)	-	(106,099)
Loss on disposal of capital assets	(261,637)	-	(261,637)
Net nonoperating revenues (expenses)	$ (362,567)	$ 215	$ (362,352)
Income (loss) before transfers	$ (1,018,747)	$ 64,268	$ (954,479)
Transfers:			
Interfund transfers	$ 30,058	$ (30,058)	$ -
Change in net position	$ (988,689)	$ 34,210	$ (954,479)
Net position, beginning of year - as restated	4,670,500	297,126	4,967,626
Net position, end of year	$ 3,681,811	$ 331,336	$ 4,013,147

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, 2015

	Operating Fund	Canteen Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 14,588,880	$ 245,152	$ 14,834,032
Other operating revenue	112,653	-	112,653
Payments to suppliers	(5,268,701)	(97,758)	(5,366,459)
Payments to and for employees	(8,404,172)	(81,602)	(8,485,774)
Payments to agencies	(501,718)	(6,366)	(508,084)
Total cash flows provided by (used for) operating activities	$ 526,942	$ 59,426	$ 586,368
Cash flows from noncapital and related financing activities:			
Draws on line of credit	$ 660,000	$ -	$ 660,000
Payment of line of credit	(660,000)	-	(660,000)
Transfers to and from other funds	30,058	(30,058)	-
Total cash flows provided by (used for) noncapital and related financing activities	$ 30,058	$ (30,058)	$ -
Cash flows from capital and related financing activities:			
Purchase of capital assets	$ (204,445)	$ -	$ (204,445)
Sale of capital assets	5,010	-	5,010
Principal paid on long-term liabilties	(486,539)	-	(486,539)
Interest paid on long-term liabilities	(82,901)	-	(82,901)
Total cash flows provided by (used for) capital and related financing activities	$ (768,875)	$ -	$ (768,875)
Cash flows from investing activities:			
Interest income	$ 5,169	$ 215	$ 5,384
Total cash flows provided by (used for) investing activities	$ 5,169	$ 215	$ 5,384
Net increase (decrease) in cash and cash equivalents	$ (206,706)	$ 29,583	$ (177,123)
Cash and cash equivalents, beginning of year	415,375	296,506	711,881
Cash and cash equivalents, end of year	$ 208,669	$ 326,089	$ 534,758
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (656,180)	$ 64,053	$ (592,127)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,426,686	-	1,426,686
Pension contributions subsequent to measurement date	(998,157)	-	(998,157)
Pension expense per GASB 68 calculation	542,987	-	542,987
Changes in assets and liabilities:			
Accounts receivable	70,865	3,666	74,531
Internal balances	(1,209)	1,209	-
Due from other governmental units	22,660	-	22,660
Prepaids	1,737	-	1,737
Accounts payable	136,634	(9,502)	127,132
Accrued liabilities	(7,185)	-	(7,185)
Compensated absences	33,852	-	33,852
Unearned revenue	(45,748)	-	(45,748)
Total cash flows provided by (used for) operating activities	$ 526,942	$ 59,426	$ 586,368

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, 2015

	Agency Funds		
	Inmate Fund	Work Release Fund	Total
ASSETS			
Cash	$ 131,397	$ 25,582	$ 156,979
LIABILITIES			
Amounts held for inmate benefits	$ 57,452	$ 24,465	$ 81,917
Due to Canteen Fund	60,558	-	60,558
Due to Operating Fund	13,387	1,117	14,504
Total liabilities	$ 131,397	$ 25,582	$ 156,979

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Basis of Accounting

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

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

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

A. Basis of Accounting (continued)

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

Enterprise Funds

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

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

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources.

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Inmate Fund and the Work Release Fund comprise the Authority's Agency Funds.

B. Use of Estimates

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

C. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are stated at fair value. Interest income is recorded when earned. All highly liquid investments with purchased maturities of three months or less are considered to be cash equivalents.

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

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

Due to the shortfall in federal inmates, the Authority is under the reserve account requirements per policy. Effective 6/10/2015, The Board of Directors adopted a new resolution to the by-laws that states "in the event the minimum working capital level is required to be drawn below 10% of the operating expense levels due to an emergency or severe economic circumstances, the Authority will fund a "reserve" line item in the succeeding budgets, not to exceed 5 budget cycles or until such policy requirements are met. The minimum funding level will be 2% of the operating budget and may be adjusted higher." Also, the Authority is to maintain a 3 month reserve of expected claims for inmate health expenses.

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 costs or, if donated, at estimated fair market 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.

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.

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

I. Net Position

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

J. Net Position Flow Assumption

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

K. Budgets and Budgetary Accounting

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

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

L. Upcoming Pronouncements

Statement No. 72, *Fair Value Measurement and Application,* amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement.* This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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, a 2a-7 like pool).

At June 30, 2015, $214,644 of the Authority's investment balance is in time deposits which carry interest at a rate of .10% with a 15 month maturity. Due to their nature, for cash flow purposes these investments are treated as cash and cash equivalents.

There are no policies related to credit risk or interest rate risk and no exposure to these risks since the investment is limited to a certificate of deposit.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from Commonwealth of Virginia:		
Compensation Board	$	396,458
DOC medical billings		48,548
Due from Federal Government:		
US Marshals - Norfolk		170,115
US Marshals - Other		330
Bureau of Prisons		1,815
Total due from other governmental units	$	617,266

NOTE 5 – CAPITAL ASSETS:

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

	Balance July 1, 2014	Restate-ment	Restated Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:						
Land	$ 37,455	$ -	$ 37,455	$ -	$ -	$ 37,455
Total capital assets not being depreciated	$ 37,455	$ -	$ 37,455	$ -	$ -	$ 37,455
Capital assets being depreciated:						
Building and improvements	$ 28,410,008	$ -	$ 28,410,008	$ -	$ 354,117	$ 28,055,891
Land improvements	757,863	-	757,863	-	-	757,863
Machinery and equipment	1,336,426	-	1,336,426	140,278	727,912	748,792
Office furniture	30,251	-	30,251	35,590	30,251	35,590
Total capital assets being depreciated	$ 30,534,548	$ -	$ 30,534,548	$ 175,868	$ 1,112,280	$ 29,598,136
Accumulated depreciation:						
Building and improvements	$ 17,770,242	$ (348,456)	$ 17,421,786	$ 1,309,563	$ 268,256	$ 18,463,093
Land improvements	548,797	(18,293)	530,504	25,262	-	555,766
Machinery and equipment	766,890	(14,521)	752,369	90,081	577,592	264,858
Office furniture	28,362	-	28,362	1,780	28,362	1,780
Total accumulated depreciation	$ 19,114,291	$ (381,270)	$ 18,733,021	$ 1,426,686	$ 874,210	$ 19,285,497
Total capital assets being depreciated, net	$ 11,420,257	$ 381,270	$ 11,801,527	$ (1,250,818)	$ 238,070	$ 10,312,639
Net capital assets	$ 11,457,712	$ 381,270	$ 11,838,982	$ (1,250,818)	$ 238,070	$ 10,350,094

Depreciation amounted to $1,426,686 at June 30, 2015.

A GMC van was purchased from Duman Auto during the year for $29,798 in a related party transaction. The owner of the business is an Authority board member. However, the purchase was equivalent to an arm’s length transaction.

NOTE 6 - CONTRACT OBLIGATIONS:

The Authority has a three-year cancelable agreement with Aramark Correction Services, LLC to provide food service for the jail inmates at a cost to the Authority of .973¢ to $1.265 per meal per inmate for the final contract extension depending on the number of inmates. The contract began in December 2010, and was renewable by the Authority for two, 24-month extensions. The agreement was extended until December 2014 and in December 2014, the agreement was extended until December 2015. 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 2015 were $829,869. An RFP has been issued for food services to begin in December 2015.

NOTE 7 - COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Authority accrued the liability arising from outstanding compensated absences. The Authority has outstanding vacation and compensation time pay totaling $708,548 at June 30, 2015 and considers 10% of the balance to be a current liability.

NOTE 8 - LONG-TERM LIABILITIES:

On May 9, 2014, the Authority issued $1,738,000 of Revenue and Refunding Bonds, Series 2014A and $3,382,000 of Revenue and Refunding Bonds, Series 2014B to refund the Authority's Revenue and Refunding Bonds, Series 2011A and 2011B. The refunding was taken to reduce total future debt payments. The transaction resulted in cash flow savings of $95,412 over the life of the issue with present value savings of $213,039. Principal payments are to be made in annual installments ranging from $387,000 to $482,000.

On April 30, 2012, the Authority entered into an agreement to finance repairs and equipment to be utilized in the Authority's food service facilities. The agreement was for $175,000 with repayment to be made in 36 equal monthly installments with no interest being charged on the note.

On May 28, 2014, the Authority obtained loans in the amounts of $32,018.87 and $29,873.90 to purchase two vehicles. The loans are to be repaid in 36 monthly installments of $921.11 and $859.41, respectively. Interest is charged at 2.25%. Loan proceeds were used to purchase a GMC Savanna and Ford Van in July 2014.

NOTE 8 - LONG-TERM LIABILITIES: (continued)

As of June 30, 2015, the Authority's bonds, note payable, and vehicle loans consisted of the following:

Year Issued	Description	Interest Rate	Amount Outstanding
2014	Revenue and Refunding Bond - Series 2014A	1.320%	$ 1,395,000
2014	Revenue and Refunding Bond - Series 2014B	2.580%	3,318,000
2013	Repairs and Equipment Note Payable	0.000%	53,473
2014	Vehicle Loan - GMC Savanna	2.250%	18,817
2014	Vehicle Loan - Ford Van	2.250%	20,205

Following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Restated Balance July 1, 2014	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2015	Amount Due Within One Year
Revenue and refunding bonds	$ 5,120,000	$ -	$ 407,000	$ 4,713,000	$ 387,000
Repairs and equipment note payable	111,806	-	58,333	53,473	53,473
Vehicle loans	60,228	-	21,206	39,022	20,666
Compensated absences	674,696	597,293	563,441	708,548	70,855
Net pension liability	2,759,235	2,501,870	4,265,122	995,983	-
Total long-term liabilities	$ 8,725,965	$ 3,099,163	$ 5,315,102	$ 6,510,026	$ 531,994

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

June 30,	Bonds Principal	Bonds Interest	Note Payable Principal	Note Payable Interest	Vehicle Loans Principal	Vehicle Loans Interest
2016	$ 387,000	$ 101,181	$ 53,473	$ -	$ 20,666	$ 700
2017	393,000	95,453	-	-	18,356	222
2018	399,000	89,627	-	-	-	-
2019	405,000	83,710	-	-	-	-
2020	413,000	75,401	-	-	-	-
2021-2025	2,234,000	209,238	-	-	-	-
2026	482,000	6,218	-	-	-	-
Totals	$ 4,713,000	$ 660,828	$ 53,473	$ -	$ 39,022	$ 922

NOTE 9 – PENSION PLAN

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 9 - PENSION PLAN: (continued)

Plan Description (continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td></td><td></td><td>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</td></tr>
<tr><td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td><td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

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

NOTE 9 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

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

NOTE 9 - PENSION PLAN: (continued)

Plan Description (continued)

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

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

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

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

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

NOTE 9 - PENSION PLAN: (continued)

Plan Description (continued)

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

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 9 – PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

NOTE 9 – PENSION PLAN: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	55
Inactive members:	
Vested inactive members	14
Non-vested inactive members	58
Inactive members active elsewhere in VRS	58
Total inactive members	130
Active members	162
Total covered employees	347

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 13.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 $998,157 and $989,437 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

NOTE 9 – 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, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTE 9 – PENSION PLAN: (continued)

Actuarial Assumptions – General Employees (continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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

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

NOTE 9 – PENSION PLAN: (continued)

Actuarial Assumptions – Public Safety Employees: (continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 9 – PENSION PLAN: (continued)

Long-Term Expected Rate of Return

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

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

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

NOTE 9 – PENSION PLAN: (continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	$ 21,167,349	$ 18,408,114	$ 2,759,235
Changes for the year:			
Service cost	$ 1,030,092	$ -	$ 1,030,092
Interest	1,456,525	-	1,456,525
Contributions - employer	-	989,437	(989,437)
Contributions - employee	-	320,817	(320,817)
Net investment income	-	2,954,712	(2,954,712)
Benefit payments, including refunds of employee contributions	(719,710)	(719,710)	-
Administrative expenses	-	(15,253)	15,253
Other changes	-	156	(156)
Net changes	$ 1,766,907	$ 3,530,159	$ (1,763,252)
Balances at June 30, 2014	$ 22,934,256	$ 21,938,273	$ 995,983

NOTE 9 – PENSION PLAN: (continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	4,058,681	995,983	(1,554,631)

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

For the year ended June 30, 2015, the Authority recognized pension expense of $542,987. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,316,802
Employer contributions subsequent to the measurement date	998,157	-
Total	$ 998,157	$ 1,316,802

$998,157 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	$ 329,201
2017	329,201
2018	329,201
2019	329,199
Thereafter	-

NOTE 10 - DEFERRED COMPENSATION PLAN:

The Authority provides an approved deferred compensation plan (Plan) under Section 457 of the Internal Revenue Code. All Authority employees are eligible to participate and may elect to defer up to 25% of their gross income up to a maximum of $15,000 per year for employees under 50 years of age and $20,000 for employees 50 or older. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan are administered by a third-party administrator, ICMA Retirement Corporation.

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

NOTE 11 - CONTINGENCIES:

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

NOTE 12 – ECONOMIC DEPENDENCE:

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

NOTE 13 – RISK MANAGEMENT:

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

NOTE 14 – LINE OF CREDIT:

The Authority has obtained a line of credit with Farmers Bank. The line of credit is available up to $500,000 with a percentage rate of prime plus ½ percent with a floor of 2.75%. Two draws were made on the line of credit during the year to finance operations. Activity on the line of credit for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Line of Credit	$ -	$ 660,000	$ 660,000	$ -

NOTE 15 – UNEARNED REVENUE:

The Authority receives a $360,000 payment for telephone commission in February of each year. Each month, this amount is adjusted to reflect the revenue earned with a true-up of total commissions done each February. Unearned revenue related to telephone commission was $210,000 at June 30, 2015.

NOTE 16 – ADOPTION OF ACCOUNTING PRINCIPLES:

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

The Authority implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The correction of an error and the implementation of these Statements resulted in the following restatement of net position:

	Operating Fund	Canteen Fund	Total
Net Position July 1, 2014	$ 6,059,028	$ 297,126	$ 6,356,154
Restatement of Accumulated Depreciation	381,270	-	381,270
Implementation of GASB 68	(1,769,798)	-	(1,769,798)
Net Position as restated July 1, 2014	$ 4,670,500	$ 297,126	$ 4,967,626

NOTE 17 – SUBSEQUENT EVENTS:

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 with Siemens Industry, Inc., signed on August 14, 2015. The project is estimated at $4,525,119 and is scheduled to be completed before the end of fiscal year 2016.

In June 2015, the Board accepted GTL's offer to prepay $360,000 in connection with the first one year extension option on the existing inmate phone contract. These funds were received after June 30, 2015.

The State approved funding for an additional 7 jail officer positions, which is expected to provide additional revenue of approximately $258,000.

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- Required Supplementary Information -

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2015

		2014
Total pension liability		
Service cost	$	1,030,092
Interest		1,456,525
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit payments, including refunds of employee contributions		(719,710)
Net change in total pension liability	$	1,766,907
Total pension liability - beginning		21,167,349
Total pension liability - ending (a)	$	22,934,256
Plan fiduciary net position		
Contributions - employer	$	989,437
Contributions - employee		320,817
Net investment income		2,954,712
Benefit payments, including refunds of employee contributions		(719,710)
Administrative expense		(15,253)
Other		156
Net change in plan fiduciary net position	$	3,530,159
Plan fiduciary net position - beginning		18,408,114
Plan fiduciary net position - ending (b)	$	21,938,273
Authority's net pension liability - ending (a) - (b)	$	995,983
Plan fiduciary net position as a percentage of the total pension liability		95.66%
Covered-employee payroll	$	6,290,626
Authority's net pension liability as a percentage of covered-employee payroll		15.83%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 998,157	$ 998,157	$ -	$ 6,453,301	15.47%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

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

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

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

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

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- Other Supplementary Information -

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Exhibit 8

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

AGENCY FUNDS

Statement of Changes in Assets and Liabilities
Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Inmate Fund				
Assets:				
Cash	$ 195,532	$ 1,126,828	$ 1,190,963	$ 131,397
Liabilities:				
Amounts held for inmate benefits	$ 113,433	$ 1,052,883	$ 1,108,864	$ 57,452
Due to Canteen Fund	66,041	60,558	66,041	60,558
Due to Operating Fund	16,058	13,387	16,058	13,387
Total liabilities	$ 195,532	$ 1,126,828	$ 1,190,963	$ 131,397
Work Release Fund				
Assets:				
Cash	$ 23,785	$ 275,416	$ 273,619	$ 25,582
Liabilities:				
Amounts held for inmate benefits	$ 23,785	$ 274,299	$ 273,619	$ 24,465
Due to Operating Fund	-	1,117	-	1,117
Total liabilities	$ 23,785	$ 275,416	$ 273,619	$ 25,582
TOTALS:				
Assets:				
Cash	$ 219,317	$ 1,402,244	$ 1,464,582	$ 156,979
Liabilities:				
Amounts held for inmate benefits	$ 137,218	$ 1,327,182	$ 1,382,483	$ 81,917
Due to Canteen Fund	66,041	60,558	66,041	60,558
Due to Operating Fund	16,058	14,504	16,058	14,504
Total liabilities	$ 219,317	$ 1,402,244	$ 1,464,582	$ 156,979

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- Statistical Tables -

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

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

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

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

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

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

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

TABLE 1

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Net Position - By Component
Last Ten Years

	Fiscal Year			
	2015	**2014**	**2013**	**2012**
Net investment in capital assets	$ 5,544,599	$ 6,546,947	$ 7,284,975	$ 9,947,050
Restricted	331,336	297,126	442,151	403,319
Unrestricted	(1,862,788)	(106,650)	590,597	1,574,576
Total net position	$ 4,013,147	$ 6,737,423	$ 8,317,723	$ 11,924,945

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

TABLE 2

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Changes in Net Position
Last Ten Years

	Fiscal Year			
	2015	**2014**	**2013**	**2012**
Operating revenues:				
Commonwealth	$ 6,179,880	$ 5,810,750	$ 4,756,098	$ 4,541,671
Federal	2,083,685	2,833,101	3,774,744	3,970,299
City of Suffolk	3,797,045	2,588,491	2,588,491	2,575,604
City of Franklin	851,235	570,990	570,990	522,586
Isle of Wight County	909,852	647,123	647,123	634,569
Other localities	-	1,780	-	-
Telephone commissions	360,000	368,251	405,313	-
Room and board	168,412	163,366	157,286	133,339
Work release and weekenders	192,203	167,553	88,898	63,559
Canteen commissions	240,277	161,090	179,900	175,280
Miscellaneous	112,653	84,971	66,859	389,974
Total operating revenues	$ 14,895,242	$ 13,397,466	$ 13,235,702	$ 13,006,881
Operating expenses:				
Personnel costs	$ 6,509,641	$ 5,677,615	$ 5,695,977	$ 5,637,268
Fringe benefits	1,547,630	2,697,823	2,651,609	2,309,546
Payroll taxes	508,084	469,540	460,254	455,352
Medical supplies and services	2,030,054	1,423,268	1,309,019	979,139
Food purchases and kitchen supplies	-	-	896,146	793,890
Utilities	1,284,077	1,246,525	1,140,506	1,025,980
Repairs and maintenance	211,612	483,716	494,220	511,229
Insurance	83,835	91,471	100,997	145,304
Contractual services	1,453,141	1,086,299	216,712	155,724
Other supplies	-	-	110,054	87,277
Vehicle expenses	56,235	61,787	-	-
Administrative	155,560	102,796	138,284	105,161
Inmate supplies	105,414	48,553	41,611	34,751
Inmate support	49,365	232,381	75,633	209,511
Officer expenses	65,535	38,648	24,057	38,998
Miscellaneous	500	4,292	42,283	66,034
Depreciation	1,426,686	1,470,947	1,419,522	1,218,949
Total operating expenses	$ 15,487,369	$ 15,135,661	$ 14,816,884	$ 13,774,113
Net operating income (loss)	$ (592,127)	$ (1,738,195)	$ (1,581,182)	$ (767,232)
Nonoperating revenues (expenses)				
Interest income	$ 5,384	$ 2,663	$ 7,603	$ 991
Gain (loss) on disposal of capital assets	(261,637)	4,107	4,151	60
Costs of issuance	-	(53,600)	-	-
Interest and fiscal charges	(106,099)	(176,544)	(201,920)	(179,188)
Net nonoperating revenues (expenses)	$ (362,352)	$ (223,374)	$ (190,166)	$ (178,137)
Change in net position	$ (954,479)	$ (1,961,569)	$ (1,771,348)	$ (945,369)

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

TABLE 3

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Member and Other Local Government Revenues
Last Ten Years

Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County	Other Localities	Total
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.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Percentage of Member Budget Based on Population
Last Ten Years and Current Year

Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County
2015	69%	15%	16%
2014	69%	15%	16%
2013	68%	15%	17%
2012	68%	15%	17%

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 2012.

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
2015	$ 4,681,044	$ 1,085,249	$ 413,587	$ 6,179,880	$ 5,558,132
2014	4,825,263	847,726	137,761	5,810,750	3,806,604
2013	4,510,466	245,632	-	4,756,098	3,806,604
2012	4,471,608	70,063	-	4,541,671	3,732,759

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

TABLE 5

Federal	Work Release & Weekenders	Telephone Commissions	Room & Board	Inmates Commissary	Miscellaneous Revenues	Total Revenues
$ 2,083,685	$ 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	Notes Payable	Vehicle Loans	Total	Annual Personal Income (1)	Ratio of Debt to Personal Income	Population (1)	Debt Per Capita
2015	$ 4,713,000	$ 53,473	$ 39,022	$ 4,805,495	$ Unavailable	Unavailable	$ Unavailable	$ Unavailable
2014	5,120,000	111,806	60,228	5,292,034	Unavailable	Unavailable	132,563	39.92
2013	5,546,000	170,139	-	5,716,139	6,147,971	93%	131,580	43.44
2012	6,048,000	-	-	6,048,000	6,106,619	99%	130,711	46.27

(1) Total for members - from table 8.

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

TABLE 7

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Revenue Bond Coverage
Last Ten Years

Fiscal Year	Operating Revenues (1)	Operating Expenses Less Depreciation (1)	Income Available for Debt Service	Annual Revenue Bond Debt Service (2)	Coverage
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.

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

TABLE 8

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Demographic Statistics for Member Jurisdictions
June 30, 2015

Total Annual Personal Income (1)

Fiscal Year	City of Suffolk	City of Franklin	Isle of Wight County	Totals
2014	$ Unavailable	$ Unavailable	$ Unavailable	$ Unavailable
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
2014	$ Unavailable	$ Unavailable	$ Unavailable	$ Unavailable
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
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
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.

TABLE 9

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Principal Employers
Current Year and Period Nine Years Ago

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

Source: Economic development departments from the related locality

Note: Information is not available for period nine years prior.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Full-time Equivalent Employees
Last Ten Years

As of June 30	Jail Operations		Total (1)
	Sworn	Civilian	
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
June 30, 2015

Fiscal Year	Vehicles	Housing Units
2015	19	6
2014	18	6
2013	19	6
2012	20	6
2011	20	6
2010	21	6

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

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

TABLE 12

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	Admissions	Releases	Average Length of Stay (Days)
2015	413	83	74	570	104	674	5,602	5,501	95
2014	393	90	81	564	127	691	6,183	6,186	565
2013	395	83	84	562	154	716	7,002	7,013	935
2012	359	88	65	512	163	675	6,655	6,622	1293
2011	334	77	92	503	197	700	6,641	6,811	1657
2010	393	72	100	565	201	766	6,778	6,728	Unavailable

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

TABLE 13

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Miscellaneous Statistical Data
June 30, 2015

Date of creation agreement	November 1, 1990
Date of ground breaking	March 3, 1991
Date operations began	July 15, 1992
General population:	
Actual capacity	900
DOC rated capacity	552

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Insurance in Force
As of June 30, 2015

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit		Deductible	
Automobile Coverages:						
Automobile Liability	VML Insurance Programs	6/30/2015	$	1,000,000 Per occurrence		none
Medical Payments Coverage	VML Insurance Programs	6/30/2015	$	10,000 Per person		none
Property Coverages:						
Blanket Buildings, Contents PIO	VML Insurance Programs	6/30/2015	$	38,695,610	$	5,000
Electronic Data Processing	VML Insurance Programs	6/30/2015	$	75,000	$	5,000
Boiler & Machinery Coverage:						
Property Damange Limit	VML Insurance Programs	6/30/2015	$	10,000,000 Per accident	$	1,000
Workers' Compensation	VML Insurance Programs	6/30/2015	Required Statutory Limits			none
Line of Duty	VML Insurance Programs	6/30/2015	Required Statutory Limits			none
General Liability	VML Insurance Programs	6/30/2015	$	1,000,000		none
Public Officials	VML Insurance Programs	6/30/2015	$	100,000		none
Law Enforcement	VML Insurance Programs	6/30/2015	$	100,000		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

- Compliance -

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *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, 2015, and the related notes to the financial statements, which collectively comprise Western Tidewater Regional Jail Authority's basic financial statements and have issued our report thereon dated October 21, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 21, 2015