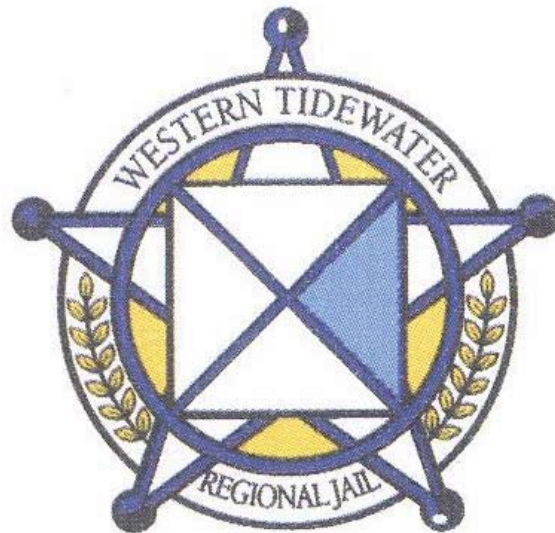


**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**



**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2014**

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

William Smith, Superintendent

**Jail Board Members and Alternates**

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<b>Locality</b>	<b>Members</b>	<b>Alternates</b>
City of Suffolk	Charles D. Parr, Sr. Michael D. Duman Raleigh H. Isaacs, Sheriff	Lenora E. Reid
Isle of Wight	Rex W. Alphin Rudolph Jefferson Mark A. Marshall, Sheriff	Anne F. Seward
City of Franklin	Barry W. Cheatham Mona L. Murphy John B. Stutts, Sheriff	Robert R. Martin

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension funding progress on pages 3-6 and page 30 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 other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, 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.

  
Charlottesville, Virginia  
September 30, 2014

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

### Management's Discussion and Analysis Year Ended June 30, 2014

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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, 2014. Please read it in conjunction with the Authority's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

The Authority's net position decreased by approximately \$1.96 million or 23.6% during the year ended June 30, 2014 as compared to a decrease of \$1.8 million or 14.9% during the year ended June 30, 2013. Operating revenues showed a modest increase of 1.2% during the year, while operating expenses reflected a slightly higher increase of 2.2% over the prior year.

#### **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, liabilities and deferred inflows/outflows, 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.

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

The Authority's net position decreased from last year by approximately \$1.96 million. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities:

	<u>2014</u>	<u>2013</u>	<u>Amount Change</u>	<u>% Change</u>
Current and other assets	\$ 1,578,054	\$ 2,532,511	\$ (954,457)	-37.7%
Capital assets	11,457,712	12,820,880	(1,363,168)	-10.6%
Long-term prepaid	<u>-</u>	<u>63,393</u>	<u>(63,393)</u>	<u>-100.0%</u>
Total assets	\$ <u>13,035,766</u>	\$ <u>15,416,784</u>	\$ <u>(2,381,018)</u>	<u>-15.4%</u>
Long-term liabilities	\$ 5,413,726	\$ 5,137,807	\$ 275,919	5.37%
Current liabilities	<u>1,265,886</u>	<u>1,961,254</u>	<u>(695,368)</u>	<u>-35.46%</u>
Total liabilities	\$ <u>6,679,612</u>	\$ <u>7,099,061</u>	\$ <u>(419,449)</u>	<u>-5.91%</u>
Net position:				
Net investment in capital assets	\$ 6,165,678	\$ 7,284,975	\$ (1,119,297)	-15.4%
Restricted	297,126	442,151	(145,025)	-32.8%
Unrestricted	<u>(106,650)</u>	<u>590,597</u>	<u>(697,247)</u>	<u>-118.1%</u>
Total net position	\$ <u><u>6,356,154</u></u>	\$ <u><u>8,317,723</u></u>	\$ <u><u>(1,961,569)</u></u>	<u><u>-23.6%</u></u>

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:

	<u>2014</u>	<u>2013</u>	<u>Amount Change</u>	<u>% Change</u>
Operating revenues	\$ 13,397,466	\$ 13,235,702	\$ 161,764	1.2%
Operating expenses	<u>15,135,661</u>	<u>14,816,884</u>	<u>318,777</u>	<u>2.2%</u>
Net operating income (loss)	\$ <u>(1,738,195)</u>	\$ <u>(1,581,182)</u>	\$ <u>(157,013)</u>	<u>9.9%</u>
Nonoperating revenues (expenses), net	\$ <u>(223,374)</u>	\$ <u>(190,166)</u>	\$ <u>(33,208)</u>	<u>17.5%</u>
Change in net position	\$ (1,961,569)	\$ (1,771,348)	\$ (190,221)	10.7%
Net position beginning of year, as restated	<u>8,317,723</u>	<u>10,089,071</u>	<u>(1,771,348)</u>	<u>-17.6%</u>
Net position, end of year	\$ <u><u>6,356,154</u></u>	\$ <u><u>8,317,723</u></u>	\$ <u><u>(1,961,569)</u></u>	<u><u>-23.6%</u></u>

## FINANCIAL ANALYSIS - ENTERPRISE FUNDS: (CONTINUED)

Operating revenues increased by 1.2% in 2014 compared to a 1.8% increase in 2013, mainly attributed to an increase of approximately \$113,009 or 1.32% in state and federal revenues, a 3.9% increase in room and board, and an 88.5% increase in work release and weekender revenue. Operating expenses increased by 2.2% compared to 2013, mainly attributable to an increase in employee benefits, hospital/medical expenses, utilities, inmate support in the canteen fund, and depreciation. The Authority did not come in under the 2014 budget.

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

	<u>2014</u>	<u>2013</u>	<u>Amount Change</u>	<u>% Change</u>
Cash flows provided by (used for):				
Operating activities	\$ 201,113	\$ (145,266)	\$ 346,379	-238.4%
Capital and related financing activities	(813,182)	(1,012,205)	199,023	-19.7%
Investing activities	<u>2,663</u>	<u>7,603</u>	<u>(4,940)</u>	<u>-65.0%</u>
Net increase (decrease) in cash and cash equivalents	\$ (609,406)	\$ (1,149,868)	\$ 540,462	-47.0%
Cash and cash equivalents, beginning of year	<u>1,321,287</u>	<u>2,471,155</u>	<u>(1,149,868)</u>	<u>-46.5%</u>
Cash and cash equivalents, end of year	<u>\$ 711,881</u>	<u>\$ 1,321,287</u>	<u>\$ (609,406)</u>	<u>-46.1%</u>

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. Unlike 2013, fiscal year 2014 saw an increase in cash flows from operating activities. A reduction of accounts receivable balances had a positive impact on cash flows.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. There was a decrease in cash in this category due to the refunding of debt, which reduced outstanding principal balances.

Cash flows from investing activities include interest and investment earnings. The decrease in interest income is related to the closeout of the SNAP accounts as a result of the completion of the construction in progress in the prior year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### **Capital Assets**

At the end of 2014, the Authority had \$11.5 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 \$107,779, capital assets decreased by \$1.4 million during the year due to depreciation expense. There was also a restatement of accumulated depreciation as of the beginning of the year to reflect the correction of errors in the fixed asset system. All balances were recalculated from their original date of acquisition.



**CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)**

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

	<u>2014</u>	<u>2013</u>
Land	\$ 37,455	\$ 37,455
Building and improvements	10,639,766	11,972,948
Land improvements	209,066	235,199
Machinery and equipment	569,536	572,138
Office equipment	<u>1,889</u>	<u>3,140</u>
Net capital assets	<u>\$ 11,457,712</u>	<u>\$ 12,820,880</u>

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

**Capital Financing Debt**

At year-end, the Authority had \$5.1 million in revenue bonds outstanding due to refinancing the outstanding 2011A and 2011B debt during the year. This transaction will reduce total future debt payments. 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. 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**

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Net Position  
As of June 30, 2014

	Operating Fund	Canteen Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 415,375	\$ 82,076	\$ 497,451
Investments	-	214,430	214,430
Accounts receivable	91,911	66,042	157,953
Due from other governmental units	639,926	-	639,926
Prepays	68,294	-	68,294
Total current assets	<u>\$ 1,215,506</u>	<u>\$ 362,548</u>	<u>\$ 1,578,054</u>
Noncurrent Assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 37,455	\$ -	\$ 37,455
Land improvements	209,066	-	209,066
Building and improvements	10,639,766	-	10,639,766
Machinery and equipment	569,536	-	569,536
Office furniture	1,889	-	1,889
Total capital assets	<u>\$ 11,457,712</u>	<u>\$ -</u>	<u>\$ 11,457,712</u>
Total noncurrent assets	<u>\$ 11,457,712</u>	<u>\$ -</u>	<u>\$ 11,457,712</u>
Total assets	<u>\$ 12,673,218</u>	<u>\$ 362,548</u>	<u>\$ 13,035,766</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 363,791	\$ 65,422	\$ 429,213
Accrued liabilities	12,328	-	12,328
Accrued interest payable	15,593	-	15,593
Long-term liabilities, current portion	553,004	-	553,004
Unearned revenue	255,748	-	255,748
Total current liabilities	<u>\$ 1,200,464</u>	<u>\$ 65,422</u>	<u>\$ 1,265,886</u>
Noncurrent Liabilities:			
Long-term liabilities, net of current portion	\$ 5,413,726	\$ -	\$ 5,413,726
Total noncurrent liabilities	<u>\$ 5,413,726</u>	<u>\$ -</u>	<u>\$ 5,413,726</u>
Total liabilities	<u>\$ 6,614,190</u>	<u>\$ 65,422</u>	<u>\$ 6,679,612</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 6,165,678	\$ -	\$ 6,165,678
Restricted for inmates	-	297,126	297,126
Unrestricted	(106,650)	-	(106,650)
Total net position	<u>\$ 6,059,028</u>	<u>\$ 297,126</u>	<u>\$ 6,356,154</u>

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Change in Net Position  
For the Year Ended June 30, 2014

	Operating Fund	Canteen Fund	Total
<b>Operating Revenues:</b>			
State	\$ 5,810,750	\$ -	\$ 5,810,750
Federal	2,833,101	-	2,833,101
City of Suffolk	2,588,491	-	2,588,491
City of Franklin	570,990	-	570,990
Isle of Wight County	647,123	-	647,123
Other localities	1,780	-	1,780
Telephone commissions	368,251	-	368,251
Room and Board	163,366	-	163,366
Work release and weekenders	167,553	-	167,553
Canteen commissions	-	161,090	161,090
Miscellaneous	84,971	-	84,971
	<u>13,236,376</u>	<u>161,090</u>	<u>13,397,466</u>
Total operating revenues	\$ 13,236,376	\$ 161,090	\$ 13,397,466
<b>Operating Expenses:</b>			
Personnel costs	\$ 5,645,352	\$ 32,263	\$ 5,677,615
Fringe benefits	2,670,515	27,308	2,697,823
Payroll taxes	467,413	2,127	469,540
Medical supplies and services	1,423,268	-	1,423,268
Utilities	1,246,525	-	1,246,525
Repairs and maintenance	483,716	-	483,716
Insurance	91,471	-	91,471
Contractual services	1,073,876	12,423	1,086,299
Vehicle expenses	61,787	-	61,787
Administrative	102,796	-	102,796
Inmate supplies	48,553	-	48,553
Inmate support	-	232,381	232,381
Officer expenses	38,648	-	38,648
Miscellaneous	4,292	-	4,292
Depreciation	1,470,947	-	1,470,947
	<u>14,829,159</u>	<u>306,502</u>	<u>15,135,661</u>
Total operating expenses	\$ 14,829,159	\$ 306,502	\$ 15,135,661
Net operating income (loss)	\$ (1,592,783)	\$ (145,412)	\$ (1,738,195)
<b>Nonoperating Revenues (Expenses):</b>			
Interest income	\$ 2,276	\$ 387	\$ 2,663
Interest expense	(176,544)	-	(176,544)
Costs of Issuance	(53,600)	-	(53,600)
Gain on disposal of capital assets	4,107	-	4,107
	<u>(223,761)</u>	<u>387</u>	<u>(223,374)</u>
Net nonoperating revenues (expenses)	\$ (223,761)	\$ 387	\$ (223,374)
Change in net position	\$ (1,816,544)	\$ (145,025)	\$ (1,961,569)
Net position, beginning of year - as restated	<u>7,875,572</u>	<u>442,151</u>	<u>8,317,723</u>
Net position, end of year	<u>\$ 6,059,028</u>	<u>\$ 297,126</u>	<u>\$ 6,356,154</u>

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Cash Flows  
For the Year Ended June 30, 2014

	Operating Fund	Canteen Fund	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 13,628,873	\$ 604,354	\$ 14,233,227
Other operating revenue	84,971	-	84,971
Payments to suppliers	(4,664,141)	(651,911)	(5,316,052)
Payments to and for employees	(8,271,922)	(61,698)	(8,333,620)
Payments to agencies	(467,413)	-	(467,413)
<b>Total cash flows provided by (used for) operating activities</b>	<b>\$ 310,368</b>	<b>\$ (109,255)</b>	<b>\$ 201,113</b>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	\$ (107,779)	\$ -	\$ (107,779)
Sale of capital assets	4,107	-	4,107
Proceeds from refunding bonds	5,120,000	-	5,120,000
Costs of issuance	(53,600)	-	(53,600)
Proceeds from note payable	61,893	-	61,893
Principal paid on long-term liabilities	(5,605,998)	-	(5,605,998)
Interest paid on long-term liabilities	(231,805)	-	(231,805)
<b>Total cash flows provided by (used for) capital and related financing activities</b>	<b>\$ (813,182)</b>	<b>\$ -</b>	<b>\$ (813,182)</b>
<b>Cash flows from investing activities:</b>			
Interest income	\$ 2,276	\$ 387	\$ 2,663
<b>Total cash flows provided by (used for) investing activities</b>	<b>\$ 2,276</b>	<b>\$ 387</b>	<b>\$ 2,663</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (500,538)</b>	<b>\$ (108,868)</b>	<b>\$ (609,406)</b>
Cash and cash equivalents, beginning of year	915,913	405,374	1,321,287
Cash and cash equivalents, end of year	\$ 415,375	\$ 296,506	\$ 711,881
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (1,592,783)	\$ (145,412)	\$ (1,738,195)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	1,470,947	-	1,470,947
<b>Changes in assets and liabilities:</b>			
Accounts receivable	(710)	17,860	17,150
Internal balances	5,313	(899)	4,414
Due from other governmental units	392,990	-	392,990
Prepays	(6,110)	-	(6,110)
Accounts payable	(83,099)	19,196	(63,903)
Accrued liabilities	23,166	-	23,166
Compensated absences	20,779	-	20,779
Unearned revenue	79,875	-	79,875
<b>Total cash flows provided by (used for) operating activities</b>	<b>\$ 310,368</b>	<b>\$ (109,255)</b>	<b>\$ 201,113</b>

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

FIDUCIARY FUNDS

Statement of Fiduciary Net Position  
As of June 30, 2014

	Agency Funds		Total
	Inmate Fund	Work Release Fund	
<b>ASSETS</b>			
Cash	\$ 195,532	\$ 23,785	\$ 219,317
<b>LIABILITIES</b>			
Amounts held for inmate benefits	\$ 113,433	\$ 23,785	\$ 137,218
Due to Canteen Fund	66,041	-	66,041
Due to Operating Fund	16,058	-	16,058
Total liabilities	\$ 195,532	\$ 23,785	\$ 219,317

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

**WESTERN TIDEWATER REGIONAL JAIL AUTHORITY**

**Notes to Financial Statements  
As of June 30, 2014**

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**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:**

**A. Basis of Accounting**

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, liabilities, net position, revenues, and expenses.

The accrual basis of accounting is followed by the enterprise funds. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. Agency funds are accounted for on an accrual basis.

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

**Enterprise Funds**

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 Operating Fund and the Canteen Fund comprise the Authority's Enterprise Funds.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
As of June 30, 2014 (continued)

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

**A. Basis of Accounting (Continued)**

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 cost which approximates 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.

Due to the shortfall in federal inmates, the Authority is under the reserve account requirements per policy. The account must be replenished over the next two budget periods and the Authority has established a plan to meet this requirement.

**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



## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

### Notes to Financial Statements As of June 30, 2014 (continued)

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

##### **F. Vacation and Sick Pay**

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

##### **G. 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 does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2014.

##### **H. Net Position**

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

##### **I. Net Position Flow Assumption**

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

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

### Notes to Financial Statements As of June 30, 2014 (continued)

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

##### **J. 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.

##### **K. Upcoming Pronouncements**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority believes the implementation of Statement No. 68 will significantly impact the Authority's net position; however, 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, 2014, \$214,430 of the Authority's investment balance is in time deposits which carry interest at a rate of .45% with a 15 month maturity. For cash flow purposes these investments are treated as cash and cash equivalents.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
As of June 30, 2014 (continued)

**NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:**

<b>Due from Commonwealth of Virginia:</b>	
Compensation Board	400,443
DOC medical billings	22,715
<b>Due from Federal Government:</b>	
US Marshals - Norfolk	206,085
US Marshals - Raleigh	3,685
US Marshals - Guard Hours	2,862
US Marshals - Mileage	328
Bureau of Prisons	2,035
<b>Other local governments</b>	<u>1,773</u>
Total due from other governmental units	<u>\$ 639,926</u>

**NOTE 5 - CAPITAL ASSETS:**

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

	Balance July 1, 2013	Restate- ment	Restated Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:						
Land	\$ 37,455	\$ -	\$ 37,455	\$ -	\$ -	\$ 37,455
Total capital assets not being depreciated	<u>\$ 37,455</u>	<u>\$ -</u>	<u>\$ 37,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,455</u>
Capital assets being depreciated:						
Building and improvements	\$ 28,432,386	\$ -	\$ 28,432,386	\$ -	\$ 22,378	\$ 28,410,008
Land improvements	757,863	-	757,863	-	-	757,863
Machinery and equipment	1,403,577	-	1,403,577	107,779	174,930	1,336,426
Office furniture	75,002	-	75,002	-	44,751	30,251
Total capital assets being depreciated	<u>\$ 30,668,828</u>	<u>\$ -</u>	<u>\$ 30,668,828</u>	<u>\$ 107,779</u>	<u>\$ 242,059</u>	<u>\$ 30,534,548</u>
Accumulated depreciation:						
Building and improvements	\$ 14,732,091	\$ 1,727,347	\$ 16,459,438	\$ 1,333,182	\$ 22,378	\$ 17,770,242
Land improvements	514,177	8,487	522,664	26,133	-	548,797
Machinery and equipment	763,250	68,189	831,439	110,381	174,930	766,890
Office furniture	62,329	9,533	71,862	1,251	44,751	28,362
Total accumulated depreciation	<u>\$ 16,071,847</u>	<u>\$ 1,813,556</u>	<u>\$ 17,885,403</u>	<u>\$ 1,470,947</u>	<u>\$ 242,059</u>	<u>\$ 19,114,291</u>
Total capital assets being depreciated, net	<u>\$ 14,596,981</u>	<u>\$ (1,813,556)</u>	<u>\$ 12,783,425</u>	<u>\$ (1,363,168)</u>	<u>\$ -</u>	<u>\$ 11,420,257</u>
Net capital assets	<u>\$ 14,634,436</u>	<u>\$ (1,813,556)</u>	<u>\$ 12,820,880</u>	<u>\$ (1,363,168)</u>	<u>\$ -</u>	<u>\$ 11,457,712</u>

Depreciation amounted to \$1,470,947 at June 30, 2014.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
As of June 30, 2014 (continued)

**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 .905¢ to \$1.176 per meal per inmate depending on the number of inmates beginning December 2010, and is renewable by the Authority for two, 24-month extensions. In June 2014, the agreement was extended until December 2014. 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. Future minimum obligations based on fiscal year 2014 average inmates, for these agreements are as follows:

2015	\$	842,634
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**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 \$674,696 at June 30, 2014 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.

As of June 30, 2014, 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%	1,738,000
2014	Revenue and Refunding Bond - Series 2014B	2.580%	3,382,000
2013	Repairs and Equipment Note Payable	0.000%	111,806
2014	Vehicle Loan - GMC Savanna	2.250%	29,070
2014	Vehicle Loan - Ford Van	2.250%	31,158

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
As of June 30, 2014 (continued)

**NOTE 8 - LONG-TERM LIABILITIES: (continued)**

Following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2014	Amount Due Within One Year
Revenue and refunding bonds	\$ 5,546,000	\$ 5,120,000	\$ 5,546,000	\$ 5,120,000	\$ 407,000
Repairs and equipment note payable	170,139	-	58,333	111,806	58,332
Vehicle loans	-	61,893	1,665	60,228	20,202
Compensated absences	653,917	20,779	-	674,696	67,470
<b>Total long-term liabilities</b>	<b>\$ 6,370,056</b>	<b>\$ 5,202,672</b>	<b>\$ 5,605,998</b>	<b>\$ 5,966,730</b>	<b>\$ 553,004</b>

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

June 30,	Bonds		Note Payable		Vehicle Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 407,000	\$ 81,395	\$ 58,332	\$ -	\$ 20,202	\$ 1,164
2016	387,000	101,181	53,474	-	20,666	700
2017	393,000	95,453	-	-	19,360	222
2018	399,000	89,627	-	-	-	-
2019	405,000	83,710	-	-	-	-
2020-2024	2,177,000	266,140	-	-	-	-
2025-2026	952,000	24,717	-	-	-	-
<b>Totals</b>	<b>\$ 5,120,000</b>	<b>\$ 742,223</b>	<b>\$ 111,806</b>	<b>\$ -</b>	<b>\$ 60,228</b>	<b>\$ 2,086</b>

**NOTE 9 - PENSION PLAN:**

**A. Plan Description**

Name of Plan: Virginia Retirement System (VRS)  
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan  
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

**NOTE 9 - PENSION PLAN: (continued)**

**A. Plan Description (continued)**

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

<b>VRS – PLAN 1</b>
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- 1. Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. 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 VRS 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.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

- 4. Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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.
- 5. 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.

**NOTE 9 - PENSION PLAN:**

**A. Plan Description (continued)**

**VRS - PLAN 1 (CONTINUED)**

6. **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.

7. **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.

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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **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%.

**NOTE 9 - PENSION PLAN: (continued)**

**A. Plan Description (continued)**

**VRS – PLAN 1 (CONTINUED)**

- 14. 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.

- 15. 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.

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. 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.



**NOTE 9 - PENSION PLAN: (continued)**

**A. Plan Description (continued)**

**VRS – PLAN 2**

1. **Plan Overview** - VRS 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 VRS 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.
2. **Eligible Members** - Employees are in VRS 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.
3. **Hybrid Opt-In Election** - VRS 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 VRS 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.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**NOTE 9 - PENSION PLAN: (continued)**

**A. Plan Description (continued)**

**VRS – PLAN 2 (CONTINUED)**

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **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%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.
16. **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.  
  
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.  
  
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

**HYBRID RETIREMENT PLAN**

1. **Plan Overview** - 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 VRS Plan 1 and VRS 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.
  - 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.

NOTE 9 - PENSION PLAN: (continued)

A. Plan Description (continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
- State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS 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
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
  - Members of the Virginia Law Officers' Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **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)

A. Plan Description (continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

**5. 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 Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**6. 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. VRS Plan 1 or VRS 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 Contribution 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.

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.

**NOTE 9 - PENSION PLAN: (continued)**

**A. Plan Description (continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

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.

**8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**NOTE 9 - PENSION PLAN: (continued)**

**A. Plan Description (continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

**16. Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2014 was 15.73% of annual covered payroll.

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
As of June 30, 2014 (continued)

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NOTE 9 - PENSION PLAN: (continued)

C. Annual Pension Cost

For fiscal year 2014, the Authority's annual pension cost of \$989,515 (does not include a portion of the employee share assumed by the Authority which was \$164,164) was equal to the Authority's required and actual contributions. Employee contributions were in the amount of \$135,406 for fiscal year 2014.

Three-Year Trend Information for the Authority			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2014	\$ 989,515	100%	\$ -
June 30, 2013	965,156	100%	-
June 30, 2012	1,068,652	100%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 82.68% funded. The actuarial accrued liability for benefits was \$21,167,349, and the actuarial value of assets was \$17,502,091, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,665,258. The covered payroll (annual payroll of active employees covered by the plan) was \$6,146,757, and ratio of the UAAL to the covered payroll was 59.63%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

### Notes to Financial Statements As of June 30, 2014 (continued)

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#### **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 the federal government and the State 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; errors and omissions; and natural disasters for which the Authority carries insurance. The Authority continues to carry commercial insurance for risks of losses. For the previous three fiscal years, settled claims from these risks have not exceeded commercial coverage.

#### **NOTE 14 - LINE OF CREDIT:**

The Authority accepted an offer to provide a line of credit from 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%. The Authority did not make any draws against the line during fiscal year 2014.

#### **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, 2014.



WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
As of June 30, 2014 (continued)

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**NOTE 16 - RESTATEMENT OF NET POSITION:**

Beginning net position was restated for the correction of an error as follows:

	<u>Operating Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Net Position July 1, 2013	\$ 9,689,128	\$ 442,151	\$ 10,131,279
Correction of Accumulated Depreciation	<u>(1,813,556)</u>	<u>-</u>	<u>(1,813,556)</u>
Net Position as restated July 1, 2013	<u>\$ 7,875,572</u>	<u>\$ 442,151</u>	<u>\$ 8,317,723</u>

**- Required Supplementary Information -**

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

## Schedule of Pension Funding Progress for the Virginia Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2013	\$ 17,502,091	\$ 21,167,349	\$ 3,665,258	82.68%	\$ 6,146,757	59.63%
June 30, 2012	16,103,479	20,084,472	3,980,993	80.18%	6,196,733	64.24%
June 30, 2011	15,452,120	18,873,691	3,421,571	81.87%	6,233,361	54.89%
June 30, 2010	14,347,803	17,280,312	2,932,509	83.03%	6,074,520	48.28%
June 30, 2009	13,607,135	14,471,636	864,501	94.03%	5,872,769	14.72%

**- Other Supplementary Information -**

## WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

## AGENCY FUNDS

Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Inmate Fund				
Assets:				
Cash	\$ 112,950	\$ 1,256,759	\$ 1,174,177	\$ 195,532
Liabilities:				
Amounts held for inmate benefits	\$ 38,341	\$ 1,174,660	\$ 1,099,568	\$ 113,433
Due to Canteen Fund	74,609	66,041	74,609	66,041
Due to Operating Fund	-	16,058	-	16,058
Total liabilities	\$ 112,950	\$ 1,256,759	\$ 1,174,177	\$ 195,532
Work Release Fund				
Assets:				
Cash	\$ 8,934	\$ 221,533	\$ 206,682	\$ 23,785
Liabilities:				
Amounts held for inmate benefits	\$ 8,934	\$ 221,533	\$ 206,682	\$ 23,785
TOTALS:				
Assets:				
Cash	\$ 121,884	\$ 1,478,292	\$ 1,380,859	\$ 219,317
Liabilities:				
Amounts held for inmate benefits	\$ 47,275	\$ 1,396,193	\$ 1,306,250	\$ 137,218
Due to Canteen Fund	74,609	66,041	74,609	66,041
Due to Operating Fund	-	16,058	-	16,058
Total liabilities	\$ 121,884	\$ 1,478,292	\$ 1,380,859	\$ 219,317

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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### 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, 2014, 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 September 30, 2014.

### 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.

*Johnson, Farmer, & Associates*  
Charlottesville, Virginia  
September 30, 2014