

**MIDDLE RIVER  
REGIONAL JAIL AUTHORITY  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**



---

ASSURANCE, TAX & ADVISORY SERVICES

**MIDDLE RIVER  
REGIONAL JAIL AUTHORITY**

**AUTHORITY MEMBERS**

*Chairman*

Michael G. Hamp II, City Manager  
City of Waynesboro, Virginia

*Vice Chairman*

Patrick J. Coffield, County Administrator  
County of Augusta, Virginia

*Secretary/Treasurer*

Stephen F. Owen, City Manager  
City of Staunton, Virginia

Cliff Prevete  
Director of Finance  
City of Waynesboro

Joe Harris, Jr.  
Sheriff  
City of Waynesboro

Jennifer Whetzel  
Director of Finance  
County of Augusta

Randall Fisher  
Sheriff  
County of Augusta

Jeanne Colvin  
Director of Finance  
City of Staunton

Alex Caldwell, Jr.  
Sheriff  
City of Staunton

## TABLE OF CONTENTS

---

	<b><u>Page</u></b>
Independent Auditor's Report .....	1-3
 <b>Basic Financial Statements:</b>	
Exhibit 1 Statement of Net Position .....	4
Exhibit 2 Statement of Revenues, Expenses, and Changes in Net Position .....	5
Exhibit 3 Statement of Cash Flows .....	6
Exhibit 4 Statement of Net Position – Fiduciary Funds .....	7
Notes to Financial Statements .....	8-38
 <b>Required Supplementary Information:</b>	
Exhibit 5 Schedule of Contributions – Virginia Retirement System .....	39
Exhibit 6 Schedule of Changes in Net Pension Asset and Related Ratios – Virginia Retirement System .....	40
Exhibit 7 Schedule of OPEB Funding Progress .....	41
 <b>Other Supplementary Information:</b>	
Exhibit 8 Combining Statement of Net Position – Agency Funds .....	42
Exhibit 9 Statement of Changes in Net Position – Agency Funds .....	43
 <b>Compliance:</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44-45



## INDEPENDENT AUDITOR'S REPORT

To the Board  
Middle River Regional Jail Authority  
Staunton, 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 the Middle River Regional Jail Authority (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 and specifications 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 auditor's 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 Authority'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 Authority'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

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 the 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.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note 11 to the financial statements, the Authority restated net position of the business-type activities to record the net pension asset and related components in accordance with the implementation of GASB Statement No. 68.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Required Supplementary Information on pages 39-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying statements listed in the table of contents as other supplementary information 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2015 on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 28, 2015

## **BASIC FINANCIAL STATEMENTS**

## MIDDLE RIVER REGIONAL JAIL AUTHORITY

Statement of Net Position  
June 30, 2015**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 8,108,969
Accounts receivable	536,473
Due from other governments	1,047,347
Restricted investments	<u>2,227,325</u>
Total current assets	<u>11,920,114</u>

## Noncurrent assets:

Net pension asset	1,440,281
Capital assets, net	<u>38,093,626</u>
Total noncurrent assets	<u>39,533,907</u>
Total assets	<u>51,454,021</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension plan	<u>778,683</u>
--------------	----------------

**LIABILITIES**

## Current liabilities:

Accounts payable	449,026
Accrued interest payable	263,995
Deposits held in escrow	<u>5,217</u>
Total current liabilities	<u>718,238</u>

## Noncurrent liabilities:

Due within one year:	
Compensated absences	79,321
Due in more than one year:	
Compensated absences	581,689
General obligation bond, net	26,448,302
Net OPEB obligation	<u>883,000</u>
Total noncurrent liabilities	<u>27,992,312</u>
Total liabilities	<u>28,710,550</u>

**DEFERRED INFLOWS OF RESOURCES**

Pension Plan	<u>538,379</u>
--------------	----------------

**NET POSITION**

## Net position:

Net investment in capital assets	11,645,324
Restricted for:	
Debt service	2,227,325
Unrestricted	<u>9,111,126</u>
Total net position	<u>\$ 22,983,775</u>

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



## MIDDLE RIVER REGIONAL JAIL AUTHORITY

**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2015**

**Operating revenues:**

From member jurisdictions	\$ 4,825,534
Local bed rentals	2,057,220
Other income	222,574
Recovered costs	372,207
Telephone commissions and vending	663,252
State compensation board	4,817,484
Local aid to the Commonwealth	(186,589)
Per diem reimbursement	<u>1,813,047</u>
 Total operating revenues	 <u>14,584,729</u>

**Operating expenses:**

Salaries and wages	5,987,968
Fringe benefits	2,344,968
Contractual services	1,509,000
Other charges	720,279
Materials and supplies	1,509,622
Depreciation	<u>1,028,524</u>
 Total operating expenses	 <u>13,100,361</u>
 Net operating income	 <u>1,484,368</u>

**Nonoperating revenues (expenses):**

Interest income	974,794
Interest expense and other charges	<u>(1,395,931)</u>
 Nonoperating expenses, net	 <u>(421,137)</u>
 Change in net position	 1,063,231
 Net position, beginning of year, as restated	 <u>21,920,544</u>
 Net position, end of year	 <u>\$ 22,983,775</u>

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

## MIDDLE RIVER REGIONAL JAIL AUTHORITY

**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

Operating activities:	
Receipts from customers and users	\$ 14,551,967
Payments to suppliers	(3,598,367)
Payments to employees	<u>(8,385,025)</u>
Net cash provided by operating activities	<u>2,568,575</u>
Capital and related financing activities:	
Acquisitions of property and equipment	(177,495)
Proceeds from refunding bonds issued	26,448,302
Payment to refunded bond escrow agent	(30,420,000)
Interest payments	<u>(1,507,106)</u>
Net cash used in capital and related financing activities	<u>(5,656,299)</u>
Investing activities:	
Interest and dividends received	<u>2,028,582</u>
Net cash provided by investing activities	<u>2,028,582</u>
Decrease in cash and cash equivalents	(1,059,142)
Cash and cash equivalents, beginning of year	<u>9,168,111</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,108,969</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,484,368
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,028,524
Pension expense	602,746
Changes in operating assets, liabilities and deferrals:	
(Increase) decrease in:	
Accounts receivable	(32,762)
Deferred outflows	(778,683)
Increase in:	
Accounts payable	140,534
Escrow	885
Compensated absences	963
Postemployment benefits	<u>122,000</u>
Net cash provided by operating activities	<u><u>\$ 2,568,575</u></u>

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

## MIDDLE RIVER REGIONAL JAIL AUTHORITY

Statement of Net Position  
Fiduciary Funds  
June 30, 2015

---

Agency  
Funds

---

**ASSETS**

Cash and cash equivalents	\$	569,188
---------------------------	----	---------

---

**LIABILITIES**

Amounts held for canteen purchases	\$	377,020
Amounts held for inmate benefits		60,623
Amounts held for inmates		131,545

---

Total liabilities	\$	569,188
-------------------	----	---------

---

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

# MIDDLE RIVER REGIONAL JAIL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

---

### NOTE 1—ORGANIZATION AND PURPOSE:

---

The Cities of Staunton and Waynesboro and the County of Augusta entered into an agreement dated June 25, 2001, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments participating in the Authority, which was created by Resolution of the participating local governments. Each of the three localities appoints two members to the Authority Board. In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

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

---

#### A. Financial Reporting Entity

The Middle River Regional Jail Authority is not presented as a discretely presented component unit of any of the participating jurisdictions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statement No. 14 and Statement No. 34*. The Authority is not fiscally dependent on any one particular Member Jurisdiction, and none of the Member Jurisdictions appoints a voting majority. The Authority is a legally separate entity from the jurisdictions.

#### B. Basic Financial Statements and Required Supplementary Information

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

- Management's discussion and analysis (Management has elected not to prepare the MD&A in the current year)
- Financial statements
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Statement of Net Position - Fiduciary Funds
  - Notes to Financial Statements
- Schedules of Pension Contributions and Changes in Net Pension Asset and Related Ratios – Virginia Retirement System
- Schedule of OPEB Funding Progress and Employer Contributions

#### C. Basis of Accounting

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

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

---

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

---

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

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

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. **Capital Assets**

Capital assets of the Authority are stated at historical cost and depreciated on the straight line basis. Donated capital assets are stated at their fair value on the date donated. The capitalization threshold for assets is \$5,000. Estimated useful lives, in years, for depreciable assets are as follows:

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings	50
Vehicles	3-5
Furniture, fixtures, and equipment	5-15

E. **Use of Estimates**

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

F. **Restricted Investments**

Investments, consisting primarily of repurchase agreements and government securities are stated at fair value.

G. **Cash and Cash Equivalents**

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

The Authority participates in a local government investment pool which is reported at the pool's share price as the investment pool is a 2a7-like pool.

H. **Inventory**

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

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

---

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

---

I. **Compensated Absences**

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave until an employee is eligible for retirement. The maximum payout for sick leave is limited to \$5,000. Employees can earn a minimum 96 hours of vacation annually and can accumulate up to 384 hours of vacation depending on their years of service.

J. **Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premiums or discounts.

K. **Net Position**

Net position represents 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. When the Authority has deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, they are also included in the component of net investment of capital assets.

L. **Net Position Flow Assumption**

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

M. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. It is the employer's fiscal year 2015 Virginia Retirement System contributions.

In addition to liabilities, the Statement of Net 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 (revenues) until that time. The Authority has deferred inflows of resources representing the net difference between projected and actual earnings on the Virginia Retirement System's plan investments.

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

---

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

---

**N. Pensions**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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 3—FISCAL AGENT:**

---

The County of Augusta, Virginia is the fiscal agent for the Middle River Regional Jail Authority.

**NOTE 4—DUE FROM OTHER GOVERNMENTS:**

---

The amount due from other governments consists of receivable amounts from the Virginia Department of Corrections for compensation board salary reimbursement and state per diem fees. At fiscal year end, this amount was \$1,047,347.

**NOTE 5—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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Custodial Credit Risk (Deposits)**

This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to the Authority. The Authority requires all deposits to comply with the Virginia Security for Public Deposits Act. At year end, none of the Authority's deposits were exposed to custodial credit risk.

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5—DEPOSITS AND INVESTMENTS: (CONTINUED)

**Investments**

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

**External Investment Pool**

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia Statutes pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e. the LGIP maintains a stable net asset value of \$1 per share. The maturity of the LGIP is less than one year.

**Custodial Credit Risk (Investments)**

The Authority's investment policy follows that of the County of Augusta, Virginia. The investment policy provides that securities purchased for the Authority shall be held by the County Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in the County's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the County. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2015, all of the Authority's investments were held in accordance with this policy.

**Credit Risk of Debt Securities**

The Authority's investment policy for credit risk is consistent with the investments allowed by statutes as detailed above.

The Authority's rated debt investments as of June 30, 2015 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values			
		Fair Quality Ratings	
		AAAm	AA+
Local Government Investment Pool	\$	100,821	\$ -
Repurchase Agreements- Underlying:			
U.S. Treasuries		-	2,227,325
Total	\$	100,821	\$ 2,227,325

**Concentration of Credit Risk**

At June 30, 2015, the Authority maintained a bond escrow account with U.S. Bank in the amount of \$2,227,325. All other cash is maintained through a checking account through First Bank & Trust Co., a money market fund through Union First Market, and the Local Government Investment Pool (LGIP). These funds are maintained by the County of Augusta and total \$8,108,969 at June 30, 2015.



MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

---

**NOTE 5—DEPOSITS AND INVESTMENTS: (CONTINUED)**

---

**Interest Rate Risk**

All Authority investments must be in securities maturing within five years.

<u>Investment Maturities (in years)</u>		
<b>Investment Type</b>	<b><u>Fair Value</u></b>	<b><u>Less Than 1 Year</u></b>
Repurchase Agreements		
U.S. Treasury	\$ <u>2,227,325</u>	\$ <u>2,227,325</u>
	\$ <u>2,227,325</u>	\$ <u>2,227,325</u>

Interest rate risk does not apply to the LGIP since it is a 2a7-like pool.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6—CAPITAL ASSETS:**

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

	Balance June 30, 2014	Increase	Decreases/ Transfer	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 612,500	\$ -	\$ -	\$ 612,500
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>612,500</u>	<u>-</u>	<u>-</u>	<u>612,500</u>
Capital assets being depreciated:				
Buildings	45,279,812	-	-	45,279,812
Equipment	<u>2,397,665</u>	<u>177,495</u>	<u>(17,400)</u>	<u>2,557,760</u>
Total capital assets being depreciated	<u>47,677,477</u>	<u>177,495</u>	<u>(17,400)</u>	<u>47,837,572</u>
Accumulated depreciation: depreciation for:				
Buildings	(7,470,118)	(905,757)	-	(8,375,875)
Equipment	<u>(1,875,204)</u>	<u>(122,767)</u>	<u>17,400</u>	<u>(1,980,571)</u>
Total accumulated depreciation	<u>(9,345,322)</u>	<u>(1,028,524)</u>	<u>17,400</u>	<u>(10,356,446)</u>
Capital assets being depreciated, net	<u>38,332,155</u>	<u>(851,029)</u>	<u>-</u>	<u>37,481,126</u>
Total capital assets, net	<u>\$ 38,944,655</u>	<u>\$ (851,029)</u>	<u>\$ -</u>	<u>\$ 38,093,626</u>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7—LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term obligation transactions for the year ended June 30, 2015:

	Balance June 30, 2014	Issuances	Retirements	Balance June 30, 2015	Amount Due Within One Year
General obligation bonds	\$ 30,420,000	\$ 22,905,000	\$ 30,420,000	\$ 22,905,000	\$ -
Premium on bond issue	193,481	3,543,302	193,481	3,543,302	-
Total general obligation bonds and premiums	30,613,481	26,448,302	30,613,481	26,448,302	-
Compensated absences	660,047	382,272	381,309	661,010	79,321
Postemployment benefits	761,000	150,000	28,000	883,000	-
Total Long-Term Liabilities	<u>\$ 32,034,528</u>	<u>\$ 26,980,574</u>	<u>\$ 31,022,790</u>	<u>\$ 27,992,312</u>	<u>\$ 79,321</u>

Annual requirement to amortize long-term obligations are as follows:

Year Ending June 30,	Revenue Refunding Bond	
	Principal	Interest
2016	\$ -	\$ 1,073,581
2017	895,000	1,060,022
2018	930,000	1,022,631
2019	980,000	973,688
2020	1,035,000	922,054
2021	1,085,000	871,529
2022	1,135,000	818,441
2023	1,200,000	758,606
2024	1,250,000	703,525
2025	1,310,000	645,625
2026	1,380,000	576,694
2027	1,450,000	506,350
2028	1,525,000	434,590
2029	1,595,000	359,365
2030	1,665,000	292,403
2031	1,735,000	222,028
2032	1,825,000	136,153
2033	1,910,000	46,069
Total	<u>\$ 22,905,000</u>	<u>\$ 11,423,354</u>

## MIDDLE RIVER REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

---

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

---

Details on long-term obligations as of June 30, 2015:

On November 19, 2014 the Authority issued Jail Facility Revenue Refunding Bonds, Series 2014 through the Virginia Resources Authority (VRA) in the amount of \$22,905,000 with a maturity date of October 1, 2032. The repayment of the bonds is due in annual installments ranging from \$895,000 through \$1,910,000 plus semi-annual interest ranging from 3.03% to 5.13% through October 1, 2032. The bond was issued at a premium of \$3,543,302 which will be amortized over the life of the bond. U.S. Bank is Trustee for the bond funds and holds a debt service reserve, and a portion of annual principal and interest payments in trust. At June 30, 2015, \$2,277,325 was held in trust at U.S. Bank. Principal outstanding at June 30, 2015 totaled \$22,905,000.

Revenues for the fiscal year ended June 30, 2015 were adequate for the payment of operating and debt service expenditures. Beginning in fiscal year 2016, the Authority will have to comply with a rate covenant determined by VRA.

#### **NOTE 8—DEBT REFUNDING:**

---

In November 2014, the Authority issued \$22,905,000 in Jail Facility Revenue Refunding Bonds to refund the Jail Facility Revenue Bonds, Series 2003. As a result, the callable 2006 bonds were considered to be defeased in substance. The advance refunding was undertaken to reduce the total debt service payments over the next 18 years by \$10,642,218 and resulted in an economic gain of \$4,243,211.

#### **NOTE 9—PENSION PLAN:**

---

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

##### **A. Plan Description**

All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. This plan is 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.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

**NOTE 9—PENSION PLAN: (CONTINUED)**

---

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:

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>About Plan 1</b> 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.	<b>About Plan 2</b> 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.	<b>About the Hybrid Retirement Plan</b> 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") <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"><li>• Political subdivision employees.*</li><li>• School division employees (teachers).</li><li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li></ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"><li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li></ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some 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.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component</b></u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contribution Component</b></u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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



MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

---

NOTE 9—PENSION PLAN: (CONTINUED)

---

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Vesting (Continued)</b> <b><u>Defined Contribution Component</u></b> <b>(Continued)</b> <ul style="list-style-type: none"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul> <p>Distribution is not required by law until age 70 1/2.</p>		
<b>Calculating the Benefit</b> <p>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.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<b>Calculating the Benefit</b> <p>See definition under Plan 1.</p>	<b>Calculating the Benefit</b> <b><u>Defined Benefit Component</u></b> <p>See definition under Plan 1.</p> <b><u>Defined Contribution Component</u></b> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<b>Average Final Compensation</b> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<b>Average Final Compensation</b> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<b>Average Final Compensation</b> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component</u></b> The retirement multiplier for the defined benefit component is 1.0%.  For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p>
<p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p>
		<p><b><u>Defined Contribution Component</u></b> Not applicable.</p>
<p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.</p>
<p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p>
		<p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <u><b>Defined Benefit Component</b></u> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. <b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u><b>Defined Benefit Component</b></u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. <b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><u><b>Defined Contribution Component</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>                      For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b><u>Defined Benefit Component</u></b>                      Same as Plan 2.</p> <p><b><u>Defined Contribution Component</u></b>                      Not applicable.</p> <p><b><u>Eligibility:</u></b>                      Same as Plan 1 and Plan 2.</p>

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

A. Plan Description (Continued)

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

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Disability Coverage</b></p> <p><b>Political subdivision employees:</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Disability Coverage</b></p> <p><b>Political subdivision employees:</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Disability Coverage</b></p> <p>Employees of political subdivisions and school divisions (teachers), including Plan 1 and 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b></p> <p><b>Defined Benefit Component</b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> <li>The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b>Defined Contribution Component</b> Not applicable.</p>

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 9—PENSION PLAN: (CONTINUED)

A. Plan Description (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	11
Inactive members:	
Vested	10
Non-vested	24
Active elsewhere in VRS	25
Total inactive members	59
Active members	135
Total covered employees	205

**Contributions**

The contribution requirement for active employees is governed by Section 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 5.00% 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 contractually required contribution rate for the year ended June 30, 2015 was 13.84% 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 an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$778,683 and \$763,721 for the years ended June 30, 2015 and 2014, respectively.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

---

**NOTE 9—PENSION PLAN: (CONTINUED)**

---

**B. Net Pension Asset**

The Authority's net pension asset was measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were 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.

**Actuarial Assumptions – General Employees**

The total pension liability for 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 benefits.

Mortality Rates:	14% of deaths are assumed to be service related.
– 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 Disabled 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:

- 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



**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

**NOTE 9—PENSION PLAN: (CONTINUED)**

---

**B. Net Pension Asset (Continued)**

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Authority 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 as 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.

Mortality Rates:	60% of deaths are assumed to be service related.
– 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 Disabled 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:

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

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

**B. Net Pension Asset (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 estimates 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	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%.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

**B. Net Pension Asset (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liabilities 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 County, the District, and the School Board's retirement plans 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.

**C. Changes in the Net Pension Asset**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2013	\$ 6,428,918	\$ 7,169,845	\$ (740,927)
Changes for the Year:			
Service cost	1,088,683	-	1,088,683
Interest	444,658	-	444,658
Contributions – employer	-	763,721	(763,721)
Contributions – employee	-	1,125,148	(1,125,148)
Net investment income	-	1,205,451	(1,205,451)
Benefit payments, including refunds of employee contributions	(153,313)	(153,313)	-
Administrative expense	-	(5,674)	5,674
Other changes	-	63	(63)
Net changes	1,380,028	2,079,382	(699,354)
Balances at June 30, 2014	\$ 7,808,946	\$ 9,249,227	\$ (1,440,281)

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 9—PENSION PLAN: (CONTINUED)**

**C. Changes in the Net Pension Asset**

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

The following presents the net pension asset of the Authority, using the discount rate of 7.00%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension asset	\$ (93,168)	\$ (1,440,281)	\$ (2,529,946)

Detailed information about the pension plans' fiduciary net position are available in the separately issued VRS financial report. Additional financial information supporting the preparation of the VRS Political Subdivision Plan Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is presented in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://www.varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

**D. 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 \$602,746. The Authority also reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 538,379
Employer contributions subsequent to the measurement date	778,683	-
Total	<u>\$ 778,683</u>	<u>\$ 538,379</u>

\$778,683 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2016.

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

---

**NOTE 9—PENSION PLAN: (CONTINUED)**

---

**D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 134,595
2017	134,595
2018	134,595
2019	134,594
	<u>\$ 538,379</u>

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE:**

---

Beginning in fiscal year 2009, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their cost related to postemployment health care and other non-pension benefits, such as the Authority's retiree health benefit subsidy. Historically, the Authority's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the Authority accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employee's active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on the Authority. This funding methodology mirrors the funding approach used for pension benefits.

**A. Plan Description:**

The Authority offers its employees the option to participate in the group health insurance program offered to other employees upon retirement. Employees who retire after June 30, 1997, are 55 years of age, and were employed for at least 10 years of continuous service immediately prior to retirement are eligible to remain enrolled in the health insurance group plan and continue to have the premiums paid for health insurance coverage subject to specific terms. The Authority will pay 75% of the monthly premium, not to exceed \$2,500 per fiscal year. Retirees shall have participated in the group insurance program for the five years preceding retirement. Full cost of dependent coverage will be the responsibility of the retired employee. Eligibility for this benefit terminates at the time the retiree obtains other health coverage or reaches the age of 65. Should an employee be granted full retirement by VRS and/or Social Security because of disability, he/she will be eligible to receive the payments made by the Authority for retirees regardless of age if he/she has been employed by the Authority for at least 10 years immediately prior to the disability. The Authority reserves the right to change the terms of the retirees' health insurance coverage at any time, including the right to terminate any or all coverage provided to retirees.

**B. Funding Policy:**

The Authority establishes employer contribution rates for plan participants as part of the budgetary process each year. Retiree contributions are adjusted as insurance rates change, with the maximum Authority subsidy remaining at \$2,500 per year.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation:**

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits was \$150,000 for fiscal year 2015. The Authority paid \$28,000 towards this obligation during fiscal year 2015. The Authority's annual OPEB cost is based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Authority's annual OPEB cost for the year, the estimated contributions to the Plan, and changes in the Authority's net OPEB obligation to the Plan.

	Fiscal Year 2015
Annual Required Contribution (ARC)	\$ 164,000
Interest on OPEB obligation	30,000
Adjustment to ARC	<u>(44,000)</u>
Annual OPEB cost	150,000
Estimated contributions made during fiscal year 2015	<u>(28,000)</u>
Increase in net OPEB obligations	122,000
Net OPEB obligation - beginning of year	761,000
Net OPEB obligation - end of year	<u><u>\$ 883,000</u></u>

For 2015, the Authority's expected cash payment of \$28,000 was \$122,000 short of the OPEB cost. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB Obligation for 2015 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 150,000	18.7%	\$ 883,000
6/30/2014	197,000	28.9%	761,000
6/30/2013	189,000	25.4%	621,000

MIDDLE RIVER REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)

D. **Funded Status and Funding Progress:**

The funded status of the plan as of July 1, 2013 is as follows:

Actuarial accrued liability (AAL)	\$	1,164,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability	\$	1,164,000
Funded ratio (actuarial value of plan assets/AAL)		0.0%
Covered payroll (active plan members)	\$	5,494,000
UAAL as a percentage of covered payroll		21.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

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 liabilities for benefits.

E. **Cost Method:**

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experienced gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions.

**Actuarial Assumptions**

Funding interest rate	4.00%
Annual amortization increase rate	2.50%
Medical trend	5.00%
Amortization	20 years/open funded
Inflation rate	2.50%

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

**NOTE 10—OTHER POSTEMPLOYMENT BENEFITS—HEALTH INSURANCE: (CONTINUED)**

---

**E. Cost Method: (Continued)**

Actuarial Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Note 11—PRIOR PERIOD ADJUSTMENT:**

---

The following adjustment was made to the beginning net position of the Authority at July 1, 2014:

Net position, as originally reported, July 1, 2014	\$ 20,415,896
Change in accounting principle for the implementation of GASB Statement No. 68 - to record the VRS net pension asset and related components	<u>1,504,648</u>
Net position, as restated, July 1, 2014	<u><u>\$ 21,920,544</u></u>

**NOTE 12—RISK MANAGEMENT:**

---

The Authority is a member of the Virginia Association of Counties Risk Pool (VACorp) for all risks of losses. This workers' compensation program is administered by a servicing contractor, which furnishes claims review and processing.

Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VACorp contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of VACorp and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, VACorp may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority also participates in the VaRisk2, a group liability self insurance plan, administered by the Commonwealth of Virginia, Department of General Services, Division of Risk Management. The Authority pays an annual premium for its public officials general liability insurance to this public entity risk pool currently operating as a common risk management and insurance program for participating governments. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

The Authority continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



## MIDDLE RIVER REGIONAL JAIL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

---

#### NOTE 13—MAJOR CUSTOMERS:

---

The Authority has one major customer. For the year ended June 30, 2015, local bed rental revenues from this customer were \$1,366,594. Accounts receivable from this customer were \$275,424 at June 30, 2015.

#### NOTE 14—CONTINGENCY:

---

The Authority has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

#### NOTE 15—SUBSEQUENT EVENTS:

---

The Authority expanded membership to the County of Rockingham and the City of Harrisonburg in an agreement effective July 1, 2015. Each of the three original member jurisdictions authorized the expansion of the Authority's membership. The additional members are treated as the current members, with three representatives on the Authority's Board and agreed upon entrance into the three year rolling average for allocation of net expenditures.

#### NOTE 16—PENDING GASB STATEMENTS:

---

At June 30, 2015, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, will improve measurement and application by state and local government for fair value. Statement No. 72 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will improve accounting and financial reporting by state and local governments for pensions. It will also improve the comparability of pension-related information. Statement No. 73 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will improve financial reporting by state and local governments for OPEB. It also provides information for changes in OPEB liabilities from year to year. Statement No. 74 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

**NOTE 16—PENDING GASB STATEMENTS: (CONTINUED)**

---

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will improve financial reporting for state and local governments by providing greater reporting guidance to provide less variation in financial reporting. Statement No. 76 will be effective for fiscal years beginning after June 15, 2015.

The Authority has not determined the financial reporting effect that any of these statements will have upon the Authority.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**Exhibit 5**

**Schedule of Contributions-Virginia Retirement System  
Last Ten Fiscal Years**

	Fiscal Year June 30, 2014
Contractually required contribution (CRC)	\$ 763,721
Contributions in relation to the CRC	<u>763,721</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employer's covered-employee payroll	\$ 5,385,903
Contributions as a percentage of covered-employee payroll	14.18%

**Notes to Schedule:**

- 1) Valuation date: June 30, 2014
- 2) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- 3) Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20-29 years
Asset valuation method	5-year smoothed market
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%
- 4) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**Exhibit 6**

**Schedule of Changes in Net Pension Asset and Related Ratios-Virginia Retirement System**

	As of June 30, 2014
Total Pension Liability	
Service cost	\$ 1,088,683
Interest	444,658
Benefit payments, including refunds of employee contributions	(153,313)
<b>Net change in total pension liability</b>	<u>1,380,028</u>
Total pension liability - beginning	6,428,918
Total pension liability - ending (a)	<u><u>\$ 7,808,946</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 763,721
Contributions - employee	1,125,148
Net investment income	1,205,451
Benefit payments, including refunds of employee contributions	(153,313)
Administrative expense	(5,674)
Other	63
<b>Net change in plan fiduciary net position</b>	<u>2,935,396</u>
Plan fiduciary net position - beginning	7,169,845
Plan fiduciary net position - ending (b)	<u><u>\$ 10,105,241</u></u>
Authority's net pension asset - ending (a) - (b)	<u><u>\$ (2,296,295)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	129.41%
Covered-employee payroll	\$ 5,385,903
Authority's net pension asset as a percentage of covered - employee payroll	42.64%

**Notes to Schedule:**

- (1) **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.
- (2) **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 ended June 30, 2012:

<b>LEOS:</b> <ol style="list-style-type: none"> <li>a. Update mortality table</li> <li>b. Adjustments to rates of service retirement for females</li> <li>c. Increase in rates of withdrawal</li> <li>d. Decrease in male and female rates of disability</li> </ol>	<b>NON-LEOS:</b> <ol style="list-style-type: none"> <li>a. Update mortality table</li> <li>b. Decrease in rates of service retirement</li> <li>c. Decrease in rates of disability retirement</li> <li>d. Reduce rates of salary increases by .25% per year</li> </ol>
---	---
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**MIDDLE RIVER REGIONAL JAIL AUTHORITY**

**Exhibit 7**

**Other Postemployment Benefit Program  
Schedule of Funding Progress**

---

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
07/01/13	\$ -	\$ 1,164,000	\$ 1,164,000	0%	\$ 5,494,000	21.2%
07/01/11	-	1,338,000	1,338,000	0%	4,981,000	26.9%
07/01/09	-	827,000	827,000	0%	4,884,000	16.9%

**Other Postemployment Benefit Program  
Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
June 30, 2015	\$ 164,000	\$ 28,000	17.1%
June 30, 2014	208,000	57,000	27.4%
June 30, 2013	198,000	48,000	24.2%

## **OTHER SUPPLEMENTARY INFORMATION**

## MIDDLE RIVER REGIONAL JAIL AUTHORITY

Combining Statement of Net Position  
Fiduciary Funds  
June 30, 2015

Agency Funds

	<u>Commissary Account</u>	<u>Inmate Account</u>	<u>Phone Account</u>	<u>Work Release Account</u>	<u>Inmate Daily Fee Account</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 377,020	\$ 31,918	\$ 99,330	\$ 32,215	\$ 28,705	\$ 569,188
Total assets	<u>\$ 377,020</u>	<u>\$ 31,918</u>	<u>\$ 99,330</u>	<u>\$ 32,215</u>	<u>\$ 28,705</u>	<u>\$ 569,188</u>
<b>LIABILITIES</b>						
Amounts held for canteen purchases	\$ 377,020	\$ -	\$ -	\$ -	\$ -	\$ 377,020
Amounts held for inmate benefits	-	31,918	-	-	28,705	60,623
Amounts held for inmates	-	-	99,330	32,215	-	131,545
Total liabilities	<u>\$ 377,020</u>	<u>\$ 31,918</u>	<u>\$ 99,330</u>	<u>\$ 32,215</u>	<u>\$ 28,705</u>	<u>\$ 569,188</u>



**MIDDLE RIVER REGIONAL JAIL AUTHORITY  
AGENCY FUNDS**

**Statement of Changes in Net Position  
Year Ended June 30, 2015**

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<b>INMATE COMMISSARY:</b>				
Assets:				
Cash and cash equivalents	\$ 338,158	\$ 557,662	\$ 518,800	\$ 377,020
Liabilities:				
Amounts held for canteen purchases	\$ 338,158	\$ 557,662	\$ 518,800	\$ 377,020
<b>INMATE ACCOUNT:</b>				
Assets:				
Cash and cash equivalents	\$ 39,275	\$ 1,431,358	\$ 1,438,715	\$ 31,918
Liabilities:				
Amounts held for inmate benefits	\$ 39,275	\$ 1,431,358	\$ 1,438,715	\$ 31,918
<b>PHONE ACCOUNT:</b>				
Assets:				
Cash and cash equivalents	\$ 44,120	\$ 285,279	\$ 230,069	\$ 99,330
Liabilities:				
Amounts held for inmates	\$ 44,120	\$ 285,279	\$ 230,069	\$ 99,330
<b>WORK RELEASE ACCOUNT:</b>				
Assets:				
Cash and cash equivalents	\$ 18,923	\$ 251,353	\$ 238,061	\$ 32,215
Liabilities:				
Amounts held for inmates	\$ 18,923	\$ 251,353	\$ 238,061	\$ 32,215
<b>INMATE DAILY FEE ACCOUNT:</b>				
Assets:				
Cash	\$ 27,158	\$ 174,725	\$ 173,178	\$ 28,705
Liabilities:				
Amounts held for inmate benefits	\$ 27,158	\$ 174,725	\$ 173,178	\$ 28,705
<b>TOTALS:</b>				
Assets:				
Cash and cash equivalents	\$ 467,634	\$ 2,700,377	\$ 2,598,823	\$ 569,188
Liabilities:				
Amounts held for canteen purchases	\$ 338,158	\$ 557,662	\$ 518,800	\$ 377,020
Amounts held for inmate benefits	66,433	1,606,083	1,611,893	60,623
Amounts held for inmates	63,043	536,632	468,130	131,545
Total liabilities	\$ 467,634	\$ 2,700,377	\$ 2,598,823	\$ 569,188

## **COMPLIANCE**



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

To the Board  
Middle River Regional Jail Authority  
Staunton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and the aggregate remaining fund information of the Middle River Regional Jail Authority (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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 the 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 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 28, 2015