

Western Virginia Regional Jail Authority

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2015

Roanoke, Virginia

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY

ROANOKE, VIRGINIA

Comprehensive Annual Financial Report

For the Year Ended June 30, 2015

Prepared by:

Roanoke County Finance Department

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY

Comprehensive Annual Financial Report For the Year Ended June 30, 2015

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WESTERN VIRGINIA REGIONAL JAIL AUTHORITY

Comprehensive Annual Financial Report For the Year Ended June 30, 2015

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Introductory Section

WESTERN VIRGINIA REGIONAL JAIL

*Serving the City of Salem and the Counties of
Franklin, Montgomery, and Roanoke*



Colonel Bobby D. Russell
Superintendent

Lt. Colonel David F. Cox
Deputy Superintendent

Major Josh Salmon
Security Division Commander

Major Amanda K. Tuck
Services Division Commander

October 12, 2015

The Board of Directors
Western Virginia Regional Jail Authority

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Western Virginia Regional Jail Authority (Jail Authority) for the fiscal year ended June 30, 2015. The report was prepared by the Superintendent and Finance Manager, who assume full responsibility for the accuracy of information, and the completeness and fairness of presentation. We believe the financial information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of the Jail Authority's Enterprise Fund.

The Jail Authority is required to undergo an annual 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 *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. This report was prepared in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB). In the performance of this audit, consideration is given to the adequacy of the Jail Authority's internal accounting control structure. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits likely to be derived, and therefore, management must continuously evaluate the benefits of various controls given the related costs of implementation. We believe that the Jail Authority's internal accounting controls adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

The certified public accounting firm of Robinson, Farmer, Cox & Associates has audited the June 30, 2015 financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Jail Authority for the fiscal year ended June 30, 2015, are free of material misstatement.

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NATIONALLY ACCREDITED SINCE 2011

5885 West River Road ★ Salem, VA 24153 ★ Phone: (540) 378-3700 ★ Fax: (540) 380-3143 ★ Website: www.wvarj.org

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Jail Authority's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented in the financial section of this report.

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

PROFILE OF THE ORGANIZATION

The Western Virginia Regional Jail Authority, which began taking in prisoners on April 9, 2009, was built to relieve the overcrowded and potentially unsafe conditions in the local jails serving the four localities that formed the Western Virginia Regional Jail Authority—the counties of Franklin, Montgomery, and Roanoke and the city of Salem. The Western Virginia Regional Jail Authority, a political subdivision of the Commonwealth of Virginia, was created under the provisions of Section 53.1-95.2 of the Code of Virginia 1950, as amended. The Jail Authority is governed by a twelve member board, comprised of three members from each participating jurisdiction. The Authority based its decision to build a regional jail, in part, on the state's funding mechanism which would reimburse up to 50 percent of the cost of a regional jail but only 25 percent of the cost of a local jail. In addition, the local jails were situated in such a way as to make it difficult to successfully renovate or expand them.

An exemption from the state moratorium on new jail construction was obtained, an appropriate tract of land in the Dixie Caverns area of Roanoke County was purchased, and ground was broken on the Western Virginia Regional Jail Project in February 2007. As construction on the facility got underway, a transition team was assembled which began work in January 2008. This group of dedicated professionals was responsible for establishing the framework for all the necessary tasks that would need to be completed from construction details and security measures to hiring personnel and contracting the medical and food services. The Western Virginia Regional Jail was formally dedicated on March 6, 2009, in a ceremony attended by state and local dignitaries and members of the public.

The Western Virginia Regional Jail, which was designed to accommodate the current and future inmate populations of its four member jurisdictions, houses an average daily inmate population of 754 and is ACA Accredited, Board of Corrections Certified, and LEED® Certified.

ECONOMIC CONDITIONS

The financial condition of the Jail Authority is primarily dependent upon the inmate population at the facility. The overall inmate population is indirectly related to the populations of Franklin County, Montgomery County, Roanoke County and the City of Salem. As the member localities experience growth and increases in development, the number of inmates housed at the facility from those jurisdictions would also expect to increase. Over the past ten years the experienced population growth rates of the member localities has averaged .8% per year. This growth experience is expected to continue in the years to come.

In fiscal year 2015, the average daily population (ADP) of inmates was 754. This ADP represents a 7.6% decrease from the higher than typical fiscal year 2014 average of 816. The fiscal year 2015 ADP is comparable to the fiscal year 2013 ADP of 734.

For the past three fiscal years, significant jail population from non-member jurisdictions, in particular the U.S. Marshal Service, have significantly contributed to the strong financial condition of the Jail Authority.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Since the opening of the Western Virginia Regional Jail Authority, there have been a number of very important milestones in the operation and development of the jail operation. ACA accreditation was achieved with a score of 100 % after only being open for two years, a huge accomplishment in the life of a correctional facility only in its infancy. In addition, we have achieved certification by the Board of Corrections each year of operation with 100% unconditional certification.

The Jail Authority continues to place importance in community involvement. Jail Authority employees participated in a wide range of community events in the past fiscal year including Special Olympics, New River Valley Law Enforcement Memorial Softball Tournament, the Law Enforcement Torch Run, Roanoke County's Touch a Truck, Tug for Tots, Forgotten Victims Day Camp and the Special Olympics Zombie Run.

The Jail Authority continually seeks rehabilitation opportunities for inmates. During the fiscal year, the Jail Authority teamed with DMV Connect to provide picture identification cards to assist released inmates with their transition back into the community. In addition, a Residential Substance Abuse Treatment (RSAT) grant was awarded by the Virginia Department of Criminal Justice Services. Funds from this grant are being used to provide substance abuse treatment to applicable inmates so as to enhance opportunities for living in the community after release without using alcohol or illegal drugs. Staff driven initiatives continue to be a focus of the agency. Those include issuance of new ballistic vests which improve officer safety when transporting inmates. Mental health first aid training was provided to all staff. This training provided staff with the skills and knowledge to address situations with our mentally ill inmates. Our employee recognition program continues to evolve with the selection of four Employee of the Quarter recognitions and recognition of our Employee of the Year.

We continue to move forward in our development of technology within the jail facility. Implementation of the GuardOne inmate tracking package provides real time locations of inmates located within the jail facility, real time panic alarms, as well as real time locations of staff and equipment. An upgrade to our jail management system has provided enhanced reporting capabilities and process improvements. A home video visitation system that was put into service during the year has been a popular visitation option for friends and family. An extension of this system also allows inmates to have confidential video visits with their attorneys.

Financially, the Jail Authority responded to a favorable interest rate environment by refinancing \$34.3 million of its outstanding bonds. This action resulted in net savings of \$2.1 million in future debt service payments.

FINANCIAL PLANNING

As part of the annual budget process, estimated revenues and justification of those revenues are forecasted for future trends. The process focuses on operating revenues and expenses as well as debt service and investment income.

FINANCIAL INFORMATION AND CONTROLS

Budgetary controls are established to ensure compliance with annual operating budgets approved by the Jail Authority's Board. Monthly reports containing comparisons between actual and budget and current and prior year amounts are prepared and presented to the Jail Authority's management and the Board.

The Jail Authority usually initiates its annual operating budget preparations in November of each fiscal year with a final budget approval occurring by March of each year.

AWARDS AND ACKNOWLEDGMENTS

The Western Virginia Regional Jail Authority received its second consecutive Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its fiscal year ended June 30, 2014 Comprehensive Annual Financial Report (CAFR). In order to be awarded this prestigious honor, the Authority must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

In April the Jail Authority refinanced a portion of its bonds. In connection with this activity, a review of the Authority's credit quality by Moody's Investors Service resulted in an upgraded credit rating from Aa3 to Aa2.

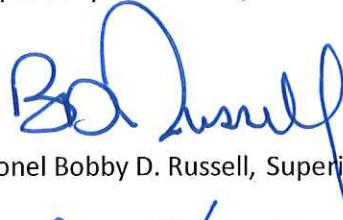
The Jail Authority continues to demonstrate excellence in its processes and procedures. In 2014, the Jail Authority was reaccredited by the American Correctional Association (ACA) with a score of 100%. The accreditation program is a professional peer review process based on national standards that have evolved since the founding of the ACA in 1870. ACA includes 384 comprehensive standards that address services, programs and operations essential to effective correctional management. Standards set by ACA to reflect practical up-to-date policies and procedures and function as a management tool for agencies and facilities throughout the world. The Jail Authority is one of over 1,500 correctional organizations currently involved in the accreditation process across the nation and represents one of only a few of the state's ninety-seven jails to be certified by ACA.

In addition, during the year the Jail Authority passed the following audits with 100% compliance:

- The first Prison Rape Elimination Act (PREA) audit.
- An unannounced Life/Health Safety inspection by the Department of Corrections.
- Certification from the Virginia State Board of Corrections. Such unconditional certification has been received each year since 2009.

Further appreciation is extended to each member of the Western Virginia Regional Jail Authority for their continued interest, dedication and support.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Bobby D. Russell". The signature is fluid and cursive, with the first name "Bobby" being more prominent.

Colonel Bobby D. Russell, Superintendent

A handwritten signature in blue ink, appearing to read "Roger Herald". The signature is fluid and cursive, with the first name "Roger" being more prominent.

Roger Herald, Finance Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Western Virginia Regional Jail

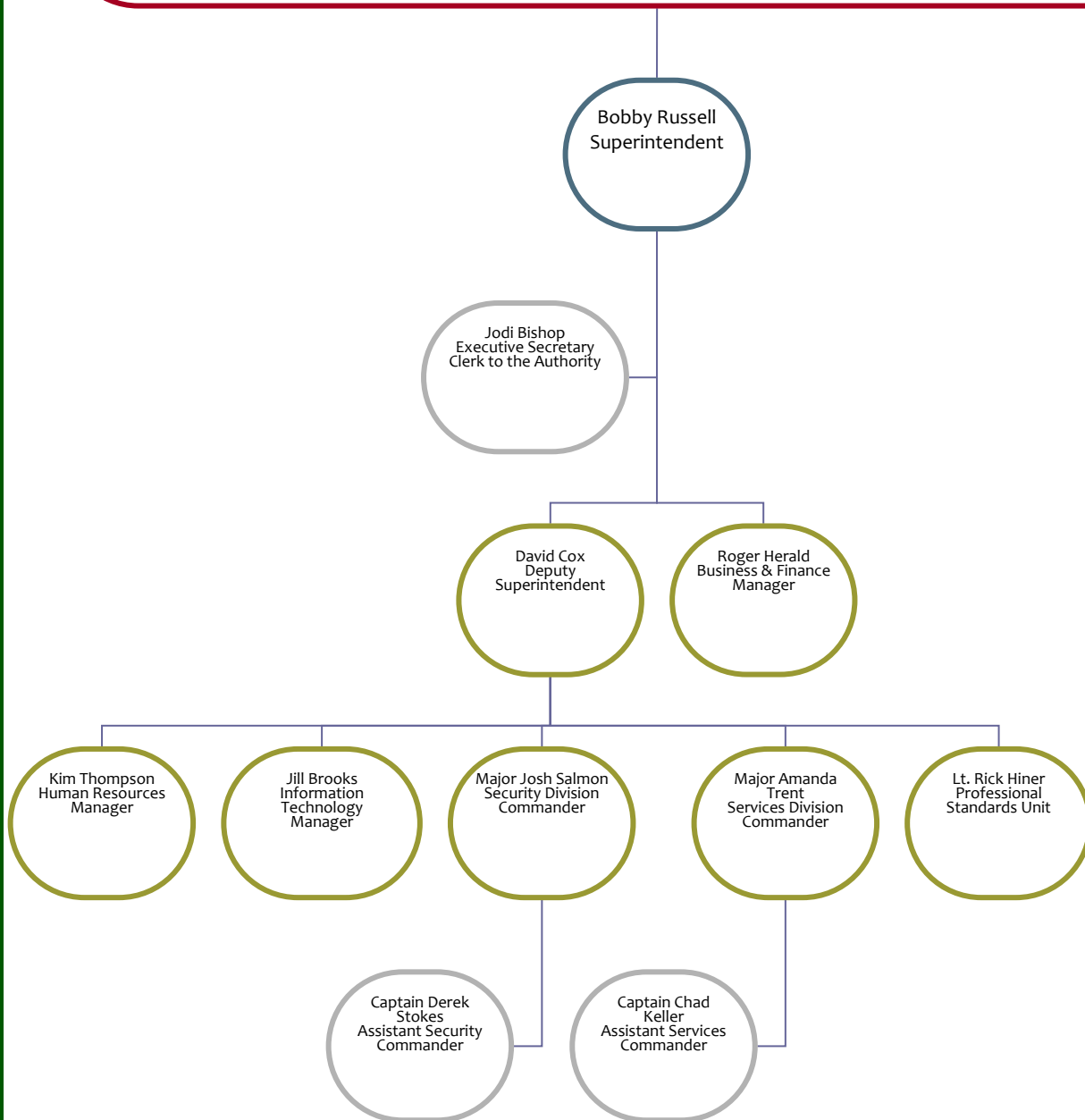
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

WESTERN VIRGINIA REGIONAL JAIL'S Organization Chart

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY



**Western Virginia Regional Jail Authority
List of Appointed Officials**

Board Members

<u>Locality/Title</u>	<u>Primary</u>	<u>Alternate</u>
City of Salem Sheriff Administrator or Designee Council Member	Eric A. Atkins James E. Taliaferro II, Chair William Jones	April Staton Rosie Jordan Randy Foley
County of Franklin Sheriff Administrator or Designee Board Member	Bill Overton Christopher L. Whitlow, Secretary Charles D. Wagner	Harry Clingenpeel Richard E. Huff, II Vacant
County of Montgomery Sheriff Administrator or Designee Board Member	James T. Whitt Craig Meadows Bill Brown	Robert L. Hall L. Carol Edmonds Gary Creed
County of Roanoke Sheriff Administrator or Designee Board Member	Charles I. Poff, Jr., Vice Chair Rebecca Owens, Treasurer Charlotte Moore	Mike Warner Daniel O'Donnell W. Brent Robertson

Officials

Bobby D. Russell	Superintendent
David F. Cox	Deputy Superintendent
Josh Salmon	Security Division Commander
Amanda K. Trent	Services Division Commander
Frederick Hiner	Professional Standards Unit
Kim Thompson	Human Resources Manager
Roger Herald	Finance Manager
Jill Brooks	I.T. Manager
Jodi Bishop	Clerk to the Authority

Financial Section

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of the Board
Western Virginia Regional Jail Authority
Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Virginia Regional Jail 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.

Auditors' 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Western Virginia Regional Jail Authority, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2015, the Western Virginia Regional Jail Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of pension and OPEB funding progress on pages 11-14 and 51-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, on our consideration of Western Virginia Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Virginia Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
October 12, 2015

Western Virginia Regional Jail Authority

Management's Discussion and Analysis

The following discussion and analysis of the Western Virginia Regional Jail Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the introduction section of this report and the financial statements, which follow in this section.

Financial Highlights

- The total assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows as of June 30, 2015 by \$32,977,735 (Net Position). Of this amount, \$18,795,101(unrestricted net position) may be used to meet the Authority's future obligations to members and creditors.
- Operating revenues decreased by \$1,710,221 or -11.1% from 2014, while operating expenses decreased by \$594,931 or -3.2% from 2014. The decrease in operating revenues resulted from the decrease in revenues from both member jurisdictions and housing federal inmates. The decrease in operating expenditures was primarily due to decreases in salaries, wages and fringe benefits in addition to the decrease in materials and supplies from 2014.
- The Authority incurred bond issuance costs of \$272,088 in fiscal year 2015 as a result of refunding a portion of its outstanding 2007 revenue bonds.

Using This Annual Report

The Financial Section of the Comprehensive Annual Financial Report consists of Management's Discussion and Analysis and the basic financial statements including notes that explain in more detail some of the information in the financial statements. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements as well as management's examination and analysis of financial condition and performance.

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer both short and long-range financial information about its activities. The Statement of Net Position includes the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority.

The Statement of Revenues, Expenses and Changes in Net Position contains all of the current year's revenue and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its per diem charges and other revenues, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the cash receipts and cash payments made by the Authority during the fiscal year. The statement reports cash receipts and cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and non-capital financing activities, without consideration of the earnings event, when an obligation arises or depreciation of capital assets.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

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

The Authority's total net position decreased from last year by \$1,391,677. Our analysis of the condensed Statement of Net Position below focuses on the changes in assets, liabilities and net position as compared to prior year:

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets	\$ 11,549,942	\$ 10,983,705
Noncurrent assets and investments	10,468,227	12,956,368
Deferred outflows of resources	3,732,117	1,048,423
Capital assets, net	<u>78,931,221</u>	<u>81,415,673</u>
Total assets and deferred outflows	\$ <u>104,681,507</u>	\$ <u>106,404,169</u>
LIABILITIES		
Other liabilities	\$ 2,062,209	\$ 3,213,201
Long term liabilities	69,128,047	68,821,556
Deferred inflows of resources	<u>513,516</u>	<u>-</u>
Total liabilities and deferred inflows	\$ <u>71,703,772</u>	\$ <u>72,034,757</u>
NET POSITION		
Net investment in capital assets	\$ 13,029,929	\$ 15,536,059
Restricted	1,152,705	913,713
Unrestricted	<u>18,795,101</u>	<u>17,919,640</u>
Total net position	\$ <u>32,977,735</u>	\$ <u>34,369,412</u>

Net Position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows exceed liabilities and deferred inflows by \$32,977,735 at the close of fiscal year 2015. This is decrease compared to last year's, restated, net position of \$34,369,412.

A portion of the Authority's Net Position, 39.5%, reflects its investment in capital assets (e.g. land, buildings, and equipment); less any related debt used to acquire those assets that are outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The Authority's investment in its capital assets is reported net of related debt, if applicable, and should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Authority's Net Position, 57%, represents resources that are not subject to restrictions on how they may be used. This unrestricted remaining balance of Net Position may be used to meet the Authority's ongoing obligations to customers and creditors.

The changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Changes in Net Position¹:

	2015	2014
REVENUES:		
OPERATING REVENUES		
Charges for services - member jurisdictions	\$ 9,688,094	\$ 11,050,624
Charges for services - nonmember jurisdictions	235,477	147,277
Charges for services - U.S. Marshal Service	1,426,201	1,923,142
Commonwealth of Virginia - per diem charges	1,444,158	1,371,214
Payphone commissions	301,128	314,530
Commissary revenue	340,326	345,247
Other operating revenue	217,237	210,808
Total operating revenues	<u>13,652,621</u>	<u>15,362,842</u>
NONOPERATING REVENUES		
Commonwealth of Virginia - Compensation Board	6,484,186	6,647,957
Federal grant revenue	23,707	24,703
Interest income	85,017	74,433
Total revenues	<u>\$ 20,245,531</u>	<u>\$ 22,109,935</u>
EXPENSES:		
OPERATING EXPENSES		
Salaries, wages and fringe benefits	\$ 10,101,871	\$ 10,354,791
Medical services	2,288,041	2,259,643
Food services	820,193	853,970
Contractual services	484,453	464,319
Repairs and maintenance	306,443	405,736
Utilities	788,695	804,359
Materials and supplies	593,876	761,685
Other operating expenses	301,569	334,105
Depreciation	2,544,982	2,586,446
Total operating expenses	<u>18,230,123</u>	<u>18,825,054</u>
NONOPERATING REVENUE (EXPENSES)		
Gain (loss) on disposal of assets	\$ -	\$ 17,083
Bond issuance costs	(272,088)	-
Interest expense	(3,134,997)	(3,180,461)
Total expenses	<u>\$ 21,637,208</u>	<u>\$ 21,988,432</u>
Change in net position	<u>\$ (1,391,677)</u>	<u>\$ 121,503</u>
Total net position, beginning of year, as restated	<u>\$ 34,369,412</u>	<u>\$ 31,627,920</u>
Total net position, end of year	<u>\$ 32,977,735</u>	<u>\$ 31,749,423</u>

Operating revenues decreased by -11.1% in fiscal year 2015 compared to fiscal year 2014 which was attributed to a decrease in revenue for housing both member jurisdictions and federal inmates.

¹ Net position was restated as of July 1, 2014 due to the implementation of GASB Statement No. 68. Information was not available to revise the statement of revenues, expenses and changes in net position, as presented above, for the fiscal year ending June 30, 2014.

Operating expenses decreased by -3.6% in fiscal year 2015 from fiscal year 2014 due primarily to decreases in salaries, wages and fringe benefits of the Authority's employees and a decrease in costs of materials and supplies.

Capital Assets and Debt Administration

Capital assets

As of June 30, 2015, the Authority had invested \$78,931,221 net of accumulated depreciation, in a variety of capital assets including land, buildings, machinery, equipment and vehicles. The current year depreciation expense of \$2,544,982 attributed to the decrease in capital assets from prior year.

Additional information on the Authority's capital assets can be found in Note 4 in the notes to the basic financial statements on page 26. Capital assets net of accumulated depreciation are illustrated in the following table:

	2015	2014
Capital Assets		
Land	\$ 2,351,807	\$ 2,351,807
Buildings	89,770,295	89,747,441
Machinery, equipment and vehicles	3,204,207	3,211,718
Less: accumulated depreciation	(16,395,088)	(13,895,293)
Total capital assets	\$ 78,931,221	\$ 81,415,673

Debt

At June 30, 2015, the Authority had \$64,645,000 in revenue bonds outstanding, a reduction of 7.4% from the previous year. On January 1, 2007, the Authority issued \$75,850,000 in revenue bonds to finance the construction and equipping of the regional jail facility. On May 19, 2015, the Authority issued \$30,605,000 of refunding bonds to advance refund \$34,270,000 of the 2007 revenue bonds. Additional information on the bonds is contained in Note 3.

Requests for Information

This financial report is designed to provide our citizens, members, potential investors and creditors with a general overview of the Authority's finances and to demonstrate accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Finance Manager, Western Virginia Regional Jail Authority, 5885 W River Rd Salem, VA 24153, telephone (540) 378-3700, or visit the Authority's web site at www.westernvaregionaljail.org.

Basic Financial Statements

Western Virginia Regional Jail Authority
Statement of Net Position
June 30, 2015

ASSETS**Current Assets:**

Cash and cash equivalents	\$ 9,268,928
Cash and cash equivalents - restricted	70,307
Interest receivable	4,334
Accounts receivable	636,522
Due from the Commonwealth	1,091,532
Due from the Federal Government	162,890
Inventories	70,505
Prepaid items	244,924
Total current assets	<u>\$ 11,549,942</u>

Noncurrent Assets:

Cash and cash equivalents - restricted	\$ 373
Investments	7,961,409
Net pension asset	2,506,445
Capital Assets:	
Land	2,351,807
Buildings and improvements	89,770,295
Equipment	3,204,207
Accumulated depreciation	(16,395,088)
Total net capital assets	<u>\$ 78,931,221</u>
Total noncurrent assets	<u>\$ 89,399,448</u>
Total assets	<u>\$ 100,949,390</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	\$ 2,866,223
Pension contributions subsequent to measurement date	865,894
Total deferred outflows of resources	<u>\$ 3,732,117</u>

LIABILITIES**Current liabilities:**

Accounts payable	\$ 547,829
Accrued payroll and withholdings	668,375
Health claims payable	93,700
Amounts held for inmates	70,307
Accrued interest payable	268,418
Compensated absences - current portion	412,772
Revenue bonds payable - current portion	808
Total current liabilities	<u>\$ 2,062,209</u>

Noncurrent liabilities:

Compensated absences - net of current portion	\$ 361,340
Revenue bonds payable - net of current portion	68,766,707
Total noncurrent liabilities	<u>\$ 69,128,047</u>
Total liabilities	<u>\$ 71,190,256</u>

DEFERRED INFLOWS OF RESOURCES

Items related to measurement of net pension liability	\$ 513,516
Total deferred outflows of resources	<u>\$ 513,516</u>

NET POSITION

Net investment in capital assets	\$ 13,029,929
Restricted - debt service	373
Restricted - jail fees	632,803
Restricted - commissary revenue	519,529
Unrestricted	18,795,101
Total net position	<u>\$ 32,977,735</u>

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

Western Virginia Regional Jail Authority
Statement of Revenues, Expenses, and Changes
in Net Position
For the Year Ended June 30, 2015

OPERATING REVENUES

Charges for services - member jurisdictions	\$ 9,688,094
Charges for services - nonmember jurisdictions	235,477
Charges for services - U.S. Marshal Service	1,426,201
Commonwealth of Virginia - per diem charges	1,444,158
Payphone commissions	301,128
Commissary revenue	340,326
Miscellaneous income	66,920
Miscellaneous fees	150,317
Total operating revenues	<u>\$ 13,652,621</u>

OPERATING EXPENSES

Salaries and wages	\$ 8,009,082
Fringe benefits	2,092,789
Medical services	2,288,041
Food services	820,193
Contractual services	484,453
Repairs and maintenance	306,443
Utilities	788,695
Materials and supplies	593,876
Other	301,569
Depreciation	2,544,982
Total operating expenses	<u>\$ 18,230,123</u>

Operating income (loss)	<u>\$ (4,577,502)</u>
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NONOPERATING REVENUES (EXPENSES)

Commonwealth of Virginia - Compensation Board	\$ 6,484,186
Federal grant revenue	23,707
Bond issuance costs	(272,088)
Interest income	85,017
Interest expense	(3,134,997)
Total nonoperating revenues (expenses)	<u>\$ 3,185,825</u>

Change in net position	<u>\$ (1,391,677)</u>
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Total net position, beginning of year, as restated	<u>\$ 34,369,412</u>
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Total net position, end of year	<u><u>\$ 32,977,735</u></u>
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The notes to financial statements are an integral part of this statement.

Western Virginia Regional Jail Authority
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows from Operating Activities	
Receipts from customers	\$ 14,487,671
Payments to suppliers	(5,584,621)
Payments to employees	(10,238,840)
Net cash provided by (used for) operating activities	\$ (1,335,790)
Cash Flows from Noncapital Financing Activities	
Operating grants	\$ 6,498,225
Net cash provided by (used for) noncapital financing activities	\$ 6,498,225
Cash Flows from Capital and Related Financing Activities	
Purchase and construction of capital assets	\$ (60,530)
Proceeds from refunding bonds	34,708,108
Bond issuance costs	(119,071)
Deposit with refunded bonds escrow agent	(36,926,628)
Principal paid on revenue bonds	(1,530,000)
Interest expense	(3,109,512)
Net cash provided by (used for) capital and related financing activities	\$ (7,037,633)
Cash Flows from Investing Activities	
Interest income	\$ 87,308
Sale of investments	1,750,616
Net cash provided by (used for) investing activities	\$ 1,837,924
Net increase (decrease) in cash and cash equivalents	\$ (37,274)
Cash and cash equivalents at the beginning of the year (includes restricted of \$1,723,642)	9,376,882
Cash and cash equivalents at the end of the year (includes restricted of \$70,680)	\$ 9,339,608
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (4,577,502)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	2,544,982
Changes in assets and liabilities:	
Accounts receivable	815,608
Inventories	29,586
Prepaid items	(15,869)
Net pension asset	(934,879)
Deferred outflows related to pension plan	182,529
Accounts payable (operating)	(15,068)
Accrued payroll and withholdings	151,023
Health claims payable	(25,659)
Amounts held for inmates	19,442
Compensated absences	(23,499)
Deferred inflows related to pension plan	513,516
Net cash provided by (used for) operating activities	\$ (1,335,790)

Notes:

Bond issuance costs totaled \$272,088 of which \$153,017 are shown as payables at year end.

The change in the fair value of investments not reported above totaled (\$2,291) during the fiscal year.

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

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1-Summary of Significant Accounting Policies:

The financial statements of Western Virginia Regional Jail Authority (the Authority) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Authority was created by concurrent resolutions of the City of Salem and Counties of Franklin, Montgomery, and Roanoke. The Authority was created under the provisions of Section 53.1-95.2 of the *Code of Virginia 1950, as amended*. The Authority was created to construct and operate a jail facility for the participating jurisdictions.

The Authority does not have any component units. In addition, the Authority is not considered a component unit of any of the participating jurisdictions.

B. Basis of Accounting

The Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for inmate housing. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Basic Financial Statements

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

- Management's Discussion and Analysis
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Required Supplementary Information
 - Pension and OPEB RSI including notes thereto

Note 1-Summary of Significant Accounting Policies: (continued)

D. Deferred Outflows/Inflows or Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Western Virginia Regional Jail Authority has two items that qualify for reporting in this category.

- Item one is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Item two is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset measurement date, which will be recognized as an adjustment of the net pension asset or liability next fiscal year. For more detailed information on these items, refer to the pension note herein (note 5).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Western Virginia Regional Jail Authority has one type of item that qualifies for reporting in this category.

- Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, refer to the pension note herein (note 5).

E. Pensions

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

F. Capital Assets

Capital assets are stated at cost or historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of gift. Depreciation is computed using the straight line method over the estimated useful lives of the respective assets.

Maintenance, repairs and minor renewals are charged to expense as incurred, while major renewals and replacements are capitalized. Upon the sale or retirement of a capital asset, the cost and related accumulated depreciation, if applicable, are eliminated from the related accounts, and any resulting gain or loss is included in income.

The Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life of at least one year. Assets are depreciated over their estimated useful lives as presented below.

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Equipment	3-10

G. Interest on Indebtedness

Interest expense applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities, is capitalized during the period of construction as part of the cost of such facilities. Other interest costs of the Authority are treated as nonoperating expenses. No interest was capitalized during the current or prior fiscal year.

H. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. As of June 30, 2015, short-term investments reported as cash and cash equivalents totaled \$1,105,270.

I. Investments

Short-term investments consist of investments with original maturities in excess of three months and a remaining maturity of less than one year and are carried at fair value, which approximates market. Long-term investments consist of investments with a remaining maturity of greater than one year and are also carried at fair value, which approximates market. Net unrealized and realized gains or losses are reflected in the statement of revenues, expenses and changes in net position.

J. Budgets and Budgetary Accounting

A budget is prepared for information, fiscal planning purposes, and to provide the basis for setting per diem rates. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

K. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Primary customers consist of the Counties of Franklin, Montgomery and Roanoke, the City of Salem and the U.S. Marshal Service. Management does not feel that an allowance of balances is necessary so the direct write off method of accounting for uncollectible accounts is used.

L. Inventories and Prepaid Items

Inventory is recorded using the first-in, first-out method (FIFO) and is valued at cost. Inventory consists of parts and supplies utilized in the daily operation of the jail.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

M. Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

N. Restricted Cash and Investments

Restricted cash and investments consists of \$373 restricted for debt service payments and funds totaling \$70,307 held for inmates.

O. Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position at face value, net of any applicable premiums and discounts.

P. Compensated Absences

The liability for compensated absences consists of unpaid accumulated vacation leave balances. The liability is based on vacation leave accumulated at June 30. Limited vacation leave may be accumulated until retirement or termination. Accumulated vacation is paid at the employee's current wage upon retirement or termination.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

Q. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

R. Net Position Flow Assumption

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

Note 2-Deposits and Investments:

Deposits - The County of Roanoke maintains a cash and investment pool that is available for use by all County funds, component units and entities for which the County is fiscal agent. The Authority participates in this pool and at June 30, 2015, the carrying value of the Authority's deposits with banks and savings institutions was \$8,234,338. Deposits with banks are covered by Federal depository insurance and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments - Statutes authorize the Authority to invest in obligations of the United 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).

Information relative to the County of Roanoke pooled account is presented in the audited financial statements of the County of Roanoke and can be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County's web site at www.roanokecountyva.gov.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 2-Deposits and Investments: (continued)

Custodial Credit Risk (Investments)

The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority Treasurer or by the Treasurer's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's name and identifiable on the custodian's books as belonging to the Authority. 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 statute as previously detailed.

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.

Rated Debt Investments' Values				
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>			
	<u>AAAm</u>	<u>AAA</u>	<u>AA+</u>	
Fidelity Institutional Treas - Class II	\$ 180,311	\$ -	\$ -	
Roanoke County Investment Pool	-	8,886,369	-	
Total	\$ 180,311	\$ 8,886,369	\$ -	

Rating allocations presented above for the Roanoke County Investment Pool are based on ratings of the individual investments held in the pool and amounts reported under each rating level are prorated based on the Authority's percentage of funds invested in the pool. Additional information concerning the pool is presented in the Roanoke County, Virginia Comprehensive Annual Financial Report, a copy of which may be requested from: County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County's web site at www.roanokecountyva.gov.

Interest Rate Risk

The Authority's policy with regard to interest rate risk requires that all investments mature within five years of their purchase date. The policy further requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs.

Investment Maturities (in years)				
<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year or less</u>	<u>1-5 Years</u>	
Fidelity Institutional Treas - Class II	\$ 180,311	\$ 180,311	\$ -	
Roanoke County Investment Pool	8,886,369	924,960	7,961,409	
Total	\$ 9,066,680	\$ 1,105,271	\$ 7,961,409	

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 2-Deposits and Investments: (continued)

External Investment Pools

The fair value of the positions in the external investment pool (Roanoke County Investment Pool) is the same as the value of the pool shares. As the Roanoke County Investment Pool is not SEC registered, regulatory oversight of the pool rests with the Roanoke County Board of Supervisors.

Note 3-Long-Term Obligations:

Changes in long-term obligations for the year are as follows:

	Balance July 1, 2014	Issuances/ Additions	Retirements/ Reductions	Balance June 30, 2015	Amount Due Within One Year
Revenue Bond	\$ 69,840,000	\$ 30,605,000	\$ (35,800,000)	\$ 64,645,000	\$ -
Unamortized Premium	40,574	4,103,108	(21,167)	4,122,515	808
Compensated absences	797,611	414,979	(438,478)	774,112	412,772
Total	\$ 70,678,185	\$ 35,123,087	\$ (36,259,645)	\$ 69,541,627	\$ 413,580

The Authority issued \$30,605,000 in revenue refunding bonds with interest rates varying from 3.0% to 5.0%. The proceeds were used to advance refund \$34,270,000 of the Authority's 2007 revenue bonds, which had interest rates ranging from 4.25% to 5.0%. The net proceeds of \$34,436,020 (including a premium of \$4,103,108 less issuance costs of \$272,088) together with an equity contribution of \$2,491,015 were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, portions of the 2007 revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,866,223. This amount is being reported as a deferred outflow of resources and is being amortized over the remaining life of the refunding debt. The Authority advance refunded the 2007 bonds to reduce its total debt service payments over 17 years by \$5,181,489 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,601,313.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 3-Long-Term Obligations: (continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bond	
	Principal	Interest
2016	\$ -	\$ 2,786,339
2017	800,000	2,743,406
2018	-	2,703,406
2019	1,700,000	2,677,906
2020	2,015,000	2,622,181
2021-2025	11,460,000	11,730,705
2026-2030	14,475,000	8,717,027
2031-2035	17,445,000	5,761,687
2036-2039	16,750,000	1,816,875
Totals	\$ 64,645,000	\$ 41,559,532

Details of long-term indebtedness:

	Total Amount
Revenue Bond:	
\$75,850,000 revenue bond issued January 1, 2007 for construction and equipping of a regional jail. Principal and interest payments began on December 1, 2009 and continue semi-annually until June 1, 2039, with interest accruing at rates between 4.00% and 5.00% and principal payments varying from \$1,475,000 to \$4,455,000.	\$ 34,040,000
\$30,605,000 refunding revenue bond issued on May 19, 2015 for a partial refunding of the Authority's 2007 revenue bonds. Principal and interest payments begin on December 1, 2015 and continue semi-annually until June 1, 2033, with interest accruing at rates between 3.00% and 5.00% and principal payments varying from \$965,000 to \$3,040,000.	30,605,000
Plus: Unamortized Premium	4,122,515
Total Revenue Bond	\$ 68,767,515
Other Liabilities:	
Compensated absences	\$ 774,112
Total Long-term Obligations	\$ 69,541,627

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 4-Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,351,807	\$ -	\$ -	\$ 2,351,807
Total capital assets not being depreciated	<u>\$ 2,351,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,351,807</u>
Capital assets, being depreciated:				
Buildings	\$ 89,747,441	\$ 22,854	\$ -	\$ 89,770,295
Machinery and equipment	3,211,718	37,676	(45,187)	3,204,207
Total capital assets being depreciated	<u>\$ 92,959,159</u>	<u>\$ 60,530</u>	<u>\$ (45,187)</u>	<u>\$ 92,974,502</u>
Accumulated depreciation:				
Buildings	\$ (11,686,861)	\$ (2,247,485)	\$ -	\$ (13,934,346)
Machinery and equipment	(2,208,432)	(297,497)	45,187	(2,460,742)
Total accumulated depreciation	<u>\$ (13,895,293)</u>	<u>\$ (2,544,982)</u>	<u>\$ 45,187</u>	<u>\$ (16,395,088)</u>
Total capital assets being depreciated, net	<u>\$ 79,063,866</u>	<u>\$ (2,484,452)</u>	<u>\$ -</u>	<u>\$ 76,579,414</u>
Capital assets, net of depreciation	<u>\$ 81,415,673</u>	<u>\$ (2,484,452)</u>	<u>\$ -</u>	<u>\$ 78,931,221</u>

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Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Western Virginia Regional Jail Authority are automatically covered by the VRS Retirement Plan (agent and multiple-employer defined benefit 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 pays contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested inactive members	7
Non-vested inactive members	85
Inactive members active elsewhere in VRS	53
Total inactive members	<u>152</u>
Active members	<u>173</u>
Total covered employees	<u>325</u>

Contributions

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

The Western Virginia Regional Jail Authority's contractually required contribution rate for the year ended June 30, 2015 was 11.58% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Western Virginia Regional Jail Authority were 865,894 and \$1,048,423 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Actuarial Assumptions - General Employees

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

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

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

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

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Long-Term Expected Rate of Return

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

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

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balances at June 30, 2013	\$ 5,015,382	\$ 6,586,948	\$ (1,571,566)
Changes for the year:			
Service cost	\$ 1,263,991	\$ -	\$ 1,263,991
Interest	348,082	-	348,082
Contributions - employer	-	1,048,423	(1,048,423)
Contributions - employee	-	354,596	(354,596)
Net investment income	-	1,148,916	(1,148,916)
Benefit payments, including refunds of employee contributions	(85,572)	(85,572)	-
Administrative expenses	-	(5,043)	5,043
Other changes	-	60	(60)
Net changes	\$ 1,526,501	\$ 2,461,380	\$ (934,879)
Balances at June 30, 2014	\$ 6,541,883	\$ 9,048,328	\$ (2,506,445)

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Western Virginia Regional Jail Authority			
Net Pension Liability (Asset)	(1,232,021)	(2,506,445)	(3,516,387)

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

For the year ended June 30, 2015, the Western Virginia Regional Jail Authority recognized pension expense of \$627,060. At June 30, 2015, the Western Virginia Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 513,516
Employer contributions subsequent to the measurement date	865,894	-
Total	\$ 865,894	\$ 513,516

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 5-Pension Plan: (continued)

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

\$865,894 reported as deferred outflows of resources related to pensions resulting from the Western Virginia Regional Jail Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>		
2016	\$	128,379
2017		128,379
2018		128,379
2019		128,379
Thereafter		-

The Western Virginia Regional Jail Authority does not issue separate financial statements for their pension plan.

Note 6-Other Postemployment Benefits-Insurance Credit Program:

A. Plan Description

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly insurance credit shall be \$1.50 per year of creditable service, which amount shall be credited monthly to any retired employee participating in the state retiree health benefits program. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of (i) \$45, or (ii) \$1.50 per year for each year of creditable service at the time of disability retirement. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

B. Funding Policy

Plan members are required to contribute a percentage of annual covered payroll to the VRS based on actuarial valuations performed every two years. The Authority's contribution rate for the fiscal year ended 2015 was 0.12% of annual covered payroll.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 6-Other Postemployment Benefits-Insurance Credit Program: (continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Authority is required to compute the annual required contribution of the employer (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 costs 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 costs for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution	\$ 9,032
Contributions made	<u>(9,032)</u>
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	<u>\$ -</u>

For 2015, the Authority's contribution of \$9,032 was equal to the ARC and 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 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 9,032	100.00%	\$ -
6/30/2014	11,347	100.00%	-
6/30/2013	10,753	100.00%	-

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2014, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 55,182
Actuarial value of plan assets	76,406
Unfunded actuarial accrued liability (UAAL)	\$ (21,224)
Funded ratio (actuarial value of plan assets/UAAL)	138.46%
Covered payroll (active plan members)	\$ 7,214,192
UAAL as a percentage of covered payroll	-0.29%

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

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 6-Other Postemployment Benefits-Insurance Credit Program: (continued)

D. Funded Status and Funding Progress (continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitation.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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. In the June 30, 2014 actuarial valuation (the most recent actuarial valuation), the entry age normal actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions¹ for the Authority include:

	<u>Assumptions</u>
Amortization period	29 years
Investment rate of return	7.0% (includes inflation at 2.5%)
Payroll growth	3.00%

The UAAL (if any) is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2014, was 27 years. Amortizations are closed, meaning the amortization period will decrease by one each year until reaching 0 years.

Note 7-Due from the Commonwealth:

Amounts reported as due from the Commonwealth at year end are as follows:

Compensation Board Reimbursements	\$ 1,083,655
Medical Charges	<u>7,877</u>
Total	<u>\$ 1,091,532</u>

¹ Actuarial assumptions do not include a healthcare cost trend rate as benefits are fixed based on years of service.

Western Virginia Regional Jail Authority
Notes to the Basic Financial Statements
June 30, 2015 (continued)

Note 8-Arbitrage Rebate Liability:

The Internal Revenue Code of 1986 (the Code) establishes rules and regulations for arbitrage rebates which are applicable to the Authority. At present, the Authority has no arbitrage rebate liability. This estimated arbitrage rebate liability is subject to change based on future investment earnings of the Authority.

Note 9-Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates with other organizations in the Virginia Association of Counties public entity risk pool. Each member of the risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the risk pool contributions and assessments based upon classifications and rates into designated cash reserve funds out of which expenses of the pools, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority carries insurance coverage for all other risk of loss. Settled claims have not exceeded coverage in the current or prior two fiscal years.

Note 10-Adoption of Accounting Principles:

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

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

Net Position, as reported at June 30, 2014	\$	31,749,423
Implementation of GASB 68		<u>2,619,989</u>
Net Position, as restated at June 30, 2014	\$	<u>34,369,412</u>

Note 11— Upcoming Pronouncements:

The Government Accounting Standards Board (GASB) has issued statements below that are expected to have an impact on the Western Virginia Regional Jail Authority's financial statements in future periods.

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

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*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Note 11— Upcoming Pronouncements: (continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Required Supplementary Information

Scheduled of OPEB Funding Progress
For the year Ended June 30, 2015

Insurance Credit Program:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (Overfunded) (3) - (2)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2014	\$ 76,406	\$ 55,182	\$ (21,224)	138.46%	\$ 7,214,192	-0.29%
6/30/2013	56,680	46,405	(10,275)	122.14%	6,708,424	-0.15%
6/30/2012	41,457	27,954	(13,503)	148.30%	6,426,210	-0.21%

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

	<u>2014</u>
Total pension liability	
Service cost	\$ 1,263,991
Interest	348,082
Benefit payments, including refunds of employee contributions	(85,572)
Net change in total pension liability	<u>\$ 1,526,501</u>
Total pension liability - beginning	<u>5,015,382</u>
Total pension liability - ending (a)	<u><u>\$ 6,541,883</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 1,048,423
Contributions - employee	354,596
Net investment income	1,148,916
Benefit payments, including refunds of employee contributions	(85,572)
Administrative expense	(5,043)
Other	60
Net change in plan fiduciary net position	<u>\$ 2,461,380</u>
Plan fiduciary net position - beginning	<u>6,586,948</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 9,048,328</u></u>
 Political subdivision's net pension liability (asset) - ending (a) - (b)	 \$ (2,506,445)
 Plan fiduciary net position as a percentage of the total pension asset	 138.31%
 Covered-employee payroll (2014fy)	 \$ 7,214,192
 Political subdivision's net pension asset as a percentage of covered-employee payroll	 34.74%

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

Schedule of Employer Contributions - Pension Plan
For the Year Ended June 30, 2015

Date	Contributions in Relation to			Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2015	\$ 865,894	\$ 865,894	\$ -	\$ 7,526,704	11.50%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

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

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

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

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

Statistical Section

Statistical Section

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

Contents

Financial Trends

Page

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. 55-56

Revenue Capacity

These schedules contain information to help the reader assess factors affecting the Authority's operating revenue. 57-58

Debt Capacity

These schedules contain information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future. 59-60

Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services the Authority provides and the activities it performs. 61-63

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other authorities. 64-65

Table 1

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Net Position By Component
Last Six Fiscal Years (1)

	2015 (3)	2014	2013 (2)	2012	2011	2010
Net investment in capital assets	\$ 13,029,929	\$ 15,536,059	\$ 17,891,850	\$ 20,441,043	\$ 22,693,455	\$ 26,604,880
Restricted	1,152,705	913,713	963,568	780,421	591,824	191,722
Unrestricted	18,795,101	15,299,651	12,772,502	11,049,895	9,883,035	6,745,908
Total Net Position	\$ <u>32,977,735</u>	\$ <u>31,749,423</u>	\$ <u>31,627,920</u>	\$ <u>32,271,359</u>	\$ <u>33,168,314</u>	\$ <u>33,542,510</u>

(1) The first full year of operations for the Authority was 2010.

(2) The Authority implemented provisions of GASB Statements 63 and 65 during the 2013 fiscal year, and applied all changes required thereof retroactively to statistical information, as necessary.

(3) The Authority implemented provisions of GASB Statement 68 during the 2015 fiscal year and restated beginning net position accordingly. Information relative to GASB Statement 68 was not available for prior fiscal years and therefore provisions of this statement were not applied retroactively in this table.

Source: Financial Statements

Table 2

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Changes in Net Position
Last Six Fiscal Years(1)

	2015 (3)	2014	2013(2)	2012	2011	2010
OPERATING REVENUES						
Charges for services - member jurisdictions	\$ 9,688,094	\$ 11,050,624	\$ 10,196,515	\$ 10,398,697	\$ 9,649,406	\$ 7,157,653
Charges for services - nonmember jurisdictions	235,477	147,277	123,620	267,997	244,120	277,625
Charges for services - U.S. Marshal Service	1,426,201	1,923,142	1,205,827	708,960	547,053	387,498
Commonwealth of Virginia - per diem charges	1,444,158	1,371,214	1,537,690	1,807,185	1,850,604	1,535,327
Payphone commissions	301,128	314,530	276,887	219,362	203,628	174,289
Commissary sales	340,326	345,247	286,953	263,408	209,029	222,082
Miscellaneous income	66,920	53,964	9,043	78,222	9,700	3,872
Miscellaneous fees	150,317	156,844	143,833	136,601	138,488	26,851
Total operating revenues	\$ 13,652,621	\$ 15,362,842	\$ 13,780,368	\$ 13,880,432	\$ 12,852,028	\$ 9,785,197
OPERATING EXPENSES						
Salaries and wages	\$ 8,009,082	\$ 7,670,454	\$ 7,170,572	\$ 6,869,372	\$ 6,443,189	\$ 6,454,515
Fringe benefits	2,092,789	2,684,337	2,254,860	2,850,188	2,261,886	2,129,542
Medical services	2,288,041	2,259,643	2,144,299	2,125,197	2,029,898	2,068,004
Food services	820,193	853,970	799,069	767,695	751,380	737,210
Contractual services	484,453	464,319	439,473	283,967	191,964	173,628
Repairs and maintenance	306,443	405,736	356,219	313,364	165,413	59,575
Utilities	788,695	804,359	727,801	628,545	630,500	763,101
Materials and supplies	593,876	761,685	600,909	717,766	441,921	492,411
Other	301,569	334,105	340,639	506,243	293,406	320,022
Depreciation	2,544,982	2,586,446	2,590,704	2,663,065	2,781,339	2,725,741
Total operating expenses	\$ 18,230,123	\$ 18,825,054	\$ 17,424,545	\$ 17,725,402	\$ 15,990,896	\$ 15,923,749
Operating income (loss)	\$ (4,577,502)	\$ (3,462,212)	\$ (3,644,177)	\$ (3,844,970)	\$ (3,138,868)	\$ (6,138,552)
NONOPERATING REVENUES (EXPENSES)						
Commonwealth of Virginia - Compensation Board	\$ 6,484,186	\$ 6,647,957	\$ 6,079,393	\$ 6,033,332	\$ 6,007,230	\$ 1,194,384
Federal grant revenue	23,707	24,703	151,382	118,740	-	5,019,917
Gain (loss) on disposal of assets	-	17,083	(20,502)	-	-	-
Bond issuance costs	(272,088)	-	-	-	-	-
Interest income	85,017	74,433	27,715	87,795	37,602	50,583
Interest expense	(3,134,997)	(3,180,461)	(3,237,250)	(3,291,852)	(3,280,160)	(3,267,524)
Total nonoperating revenues (expenses)	\$ 3,185,825	\$ 3,583,715	\$ 3,000,738	\$ 2,948,015	\$ 2,764,672	\$ 2,997,360
Change in net position	\$ (1,391,677)	\$ 121,503	\$ (643,439)	\$ (896,955)	\$ (374,196)	\$ (3,141,192)
Total net position, beginning of year	\$ 34,369,412	\$ 31,627,920	\$ 32,271,359	\$ 33,168,314	\$ 33,542,510	\$ 36,683,702
Total net position, end of year	\$ 32,977,735	\$ 31,749,423	\$ 31,627,920	\$ 32,271,359	\$ 33,168,314	\$ 33,542,510

(1) The first full year of operations for the Authority was 2010.

(2) The Authority implemented provisions of GASB Statements 63 and 65 during the 2013 fiscal year, and applied all changes required thereof retroactively to statistical information, as necessary.

(3) The Authority implemented provisions of GASB Statement 68 during the 2015 fiscal year, resulting in a restatement of beginning net position for the 2015 fiscal year. Information prior to 2015 was not available and therefore changes as a result of the implementation of this standard have not been applied retroactively.

Source: Financial Statements

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Revenues & Billed Inmate Days - By Major Customer
Last Six Fiscal Years (1)

Fiscal Year	Franklin County						Montgomery County					
	Total Revenue	Billed Inmate Days	Per Diem Rate	Inmate Days Billed	Debt Service	Rate per Day	Average Daily Population (2)	Total Revenue	Billed Inmate Days	Per Diem Rate	Inmate Days Billed	Debt Service
2015	\$ 2,036,314	\$ 1,391,358	\$ 32.19	43,223	\$ 644,956	\$ 14.37	123	\$ 3,408,033	\$ 2,439,726	\$ 32.19	75,791	\$ 968,307
2014	2,577,914	1,893,866	32.19	58,834	684,048	15.45	121	3,916,445	2,969,302	32.19	92,243	947,143
2013	2,271,240	1,554,584	32.19	48,294	716,656	17.79	110	3,243,980	2,217,859	32.19	68,899	1,026,121
2012	2,118,280	1,464,409	32.19	45,493	653,871	14.45	124	3,267,047	2,259,874	32.19	70,204	1,007,173
2011	1,905,719	1,236,690	30.20	40,950	669,029	15.88	115	2,908,156	1,911,720	30.20	63,302	996,436
2010	1,812,193	921,400	20.00	46,070	890,793	19.37	126	1,981,350	1,005,720	20.00	50,286	975,630

Fiscal Year	Roanoke County						City of Salem					
	Total Revenue	Billed Inmate Days	Per Diem Rate	Inmate Days Billed	Debt Service	Rate per Day	Average Daily Population (2)	Total Revenue	Billed Inmate Days	Per Diem Rate	Inmate Days Billed	Debt Service
2015	\$ 2,748,160	\$ 1,732,661	\$ 32.19	53,826	\$ 1,015,499	\$ 14.37	194	\$ 1,495,587	\$ 1,014,929	\$ 32.19	31,529	\$ 480,658
2014	3,062,304	1,983,613	32.19	61,622	1,078,691	15.45	191	1,493,962	1,035,424	32.19	32,166	458,538
2013	3,155,254	2,156,279	32.19	66,986	998,975	17.79	154	1,526,040	1,042,840	32.19	32,396	483,200
2012	3,353,292	2,309,207	32.19	71,737	1,044,085	14.45	198	1,660,078	1,148,582	32.19	35,681	511,496
2011	3,335,485	2,178,444	30.20	72,134	1,157,041	15.88	200	1,500,046	990,640	30.20	32,803	509,406
2010	2,528,682	1,284,400	20.00	64,220	1,244,282	19.37	176	835,428	425,380	20.00	21,269	410,048

Fiscal Year	Commonwealth of Virginia						U.S. Marshal Service					
	Total Revenue	Debt Service	Billed Inmate Days	Per Diem Rate	Inmate Days Billed		Total Revenue	Inmate Transportation	Billed Inmate Days	Per Diem Rate	Inmate Days Billed	
2015	\$ 1,444,158	N/A	\$ 1,444,158	Various	N/A		\$ 1,426,201	\$ 111,049	\$ 1,315,152	\$ 56.59	23,240	
2014	1,371,214	N/A	1,371,214	Various	N/A		1,923,142	121,393	1,801,749	56.59	31,839	
2013	1,537,690	N/A	1,537,690	Various	N/A		1,205,827	52,919	1,152,908	56.59	20,373	
2012	1,807,150	N/A	1,807,150	Various	N/A		708,960	29,937	679,023	56.59	11,999	
2011	1,850,604	N/A	1,850,604	Various	N/A		547,053	44,516	502,537	56.59	8,880	
2010	1,535,327	N/A	1,535,327	Various	N/A		387,498	36,753	350,745	56.59	6,198	

(1) The first full year of operations for the Authority was 2010.

(2) Debt service billings are based on each jurisdiction's average daily population on a rolling basis that takes into account three years of historical data

Source: Billing records of the Authority.

Table 4

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY

Largest Revenue Sources

Current Year and Five Years Ago (1)

Inmate Operating and Debt Per Diem Fees	Fiscal Year 2015	
	Amount	%
County of Franklin	\$ 2,036,314	14.92%
County of Montgomery	3,408,033	24.96%
County of Roanoke	2,748,160	20.13%
City of Salem	1,495,587	10.95%
Commonwealth of Virginia	1,444,158	10.58%
U.S. Marshal Service	1,426,201	10.45%
Subtotal	\$ 12,558,453	91.99%
Balance from other sources	\$ 1,094,168	8.01%
Grand Total	\$ 13,652,621	100.00%
Inmate Operating and Debt Per Diem Fees	Fiscal year 2010	
	Amount	%
County of Franklin	\$ 1,812,193	18.52%
County of Montgomery	1,981,350	20.25%
County of Roanoke	2,528,682	25.84%
City of Salem	835,428	8.54%
Commonwealth of Virginia	1,535,327	15.69%
U.S. Marshal Service	387,498	3.96%
Subtotal	\$ 9,080,478	92.80%
Balance from other sources	\$ 704,719	7.20%
Grand Total	\$ 9,785,197	100.00%

(1) The first full year of operations for the Authority was 2010.

Source: Billing reports

Table 5

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Outstanding Debt by Type
Last Six Fiscal Years (1)

Fiscal Year	Total Revenue Bonds	Annual Total Personal Income (2)	Outstanding Debt to Personal Income	Total Population	Per Capita Personal Income	Outstanding Debt Per Capita
2015	\$ 68,767,515	\$ 10,077,840	0.682%	272,052	\$ 37,044	\$ 252.77
2014	69,880,574	10,028,550	0.697%	270,825	37,030	258.03
2013	71,357,377	9,808,983	0.727%	270,765	36,227	263.54
2012	72,774,180	9,470,351	0.768%	269,247	35,173	270.29
2011	74,135,983	9,036,641	0.820%	267,963	33,723	276.66
2010	75,447,786	8,854,113	0.852%	262,997	33,666	286.88

(1) The first full year of operations for the Authority was 2010.

(2) Amount reported in thousands (000 omitted).

Source: Financial Statements and Comprehensive Annual Financial Reports of the Counties of Franklin, Montgomery and Roanoke and the City of Salem.

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Revenue Bond Coverage
Last Six Fiscal Years (1)

Fiscal Year	Operating Revenues	Operating Expenses (Excl. Depr.)	Other Available Revenues	Net Revenue Available for Debt Service	Principal (P)	Interest (I)	Total (P)(I)	Bond Coverage
2015 (2)	\$ 13,652,621	\$ (15,685,141)	\$ 6,592,910	\$ 4,560,390	\$ 1,530,000	\$ 3,134,997	\$ 4,664,997	0.98
2014	15,362,842	(16,238,608)	6,764,176	5,888,410	1,475,000	3,180,461	4,655,461	1.26
2013	13,780,368	(14,833,841)	6,258,490	5,205,017	1,415,000	3,237,250	4,652,250	1.12
2012	13,880,432	(15,062,337)	6,239,867	5,057,962	1,360,000	3,291,852	4,651,852	1.09
2011	12,852,028	(13,209,557)	6,044,832	5,687,303	1,310,000	3,280,160	4,590,160	1.24
2010	9,785,197	(13,198,008)	6,264,884	2,852,073	450,000	3,267,524	3,717,524	0.77

(1) The first full year of operations for the Authority was 2010.

(2) In 2015, the Authority refunded approximately 34 million dollars of bonds. The above amounts represent normal principal and interest payments.

Net revenue of the Authority is pledged for the Authority's revenue bonds. Net revenue is defined as all revenue of the Authority less operating expenses, excluding depreciation.

Source: Financial Statements

Table 7

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Number of Employees by Identifiable Activity
Last Six Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Civilian	9	8	9	9	9	8
Sworn	<u>183</u>	<u>183</u>	<u>166</u>	<u>173</u>	<u>172</u>	<u>169</u>
Total Employees	<u><u>192</u></u>	<u><u>191</u></u>	<u><u>175</u></u>	<u><u>182</u></u>	<u><u>181</u></u>	<u><u>177</u></u>

(1) The first full year of operations for the Authority was 2010.

Source: Personnel Records

Table 8

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Inmate Booking Statistics
Last Six Fiscal Years(1)

Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (days)	Average Monthly Bookings
County of Franklin	2015	137	71	46
	2014	161	77	51
	2013	132	67	49
	2012	124	66	51
	2011	115	67	42
	2010	126	62	51
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (days)	Average Monthly Bookings
County of Montgomery	2015	221	102	47
	2014	253	96	63
	2013	189	86	53
	2012	191	97	47
	2011	174	81	52
	2010	138	82	41
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (days)	Average Monthly Bookings
County of Roanoke	2015	173	66	64
	2014	169	62	67
	2013	184	61	76
	2012	198	76	65
	2011	199	74	65
	2010	176	69	65
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (days)	Average Monthly Bookings
City of Salem	2015	89	62	35
	2014	88	56	41
	2013	89	52	43
	2012	97	67	38
	2011	89	67	36
	2010	58	56	27
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (days)	Average Monthly Bookings
Other	2015	134	60	55
	2014	145	53	70
	2013	140	38	51
	2012	118	35	44
	2011	130	28	42
	2010	111	24	53

(1) The first full year of operations for the Authority was 2010.

Source: Daily Population Counts.

Table 9

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Capital Asset Statistics
Last Six Fiscal Years (1)

<u>Function/Program/Asset</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public Safety:						
Jail:						
Buildings	1	1	1	1	1	1
Machinery & Equipment	46	45	45	44	43	39
Vehicles	19	20	16	16	13	13
Total	<u>66</u>	<u>66</u>	<u>62</u>	<u>61</u>	<u>57</u>	<u>53</u>

(1) The first full year of operations for the Authority was 2010.

Source: Capital Asset Listings

Table 10

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Demographic Statistics for Member Jurisdictions
Last Six Fiscal Years (1)

Fiscal Year	County of Franklin		County of Montgomery		County of Roanoke		City of Salem	
	Population	Unemployment rate	Population	Unemployment rate	Population	Unemployment rate	Population	Unemployment rate
2015	56,793	5.20	96,207	5.50	93,569	4.50	25,483	5.20
2014	56,616	5.20	96,207	5.50	92,703	5.20	25,299	5.20
2013	56,616	4.90	95,626	6.50	93,256	5.50	25,267	6.60
2012	56,419	6.20	94,996	6.40	92,687	5.60	25,145	6.50
2011	56,225	6.40	94,392	7.40	92,376	5.70	24,970	6.10
2010	55,732	7.50	91,394	7.00	91,011	6.30	24,860	7.20

(1) The first full year of operations for the Authority was 2010.

Source: Financial Statements and Comprehensive Annual Financial Reports of the Counties of Franklin, Montgomery and Roanoke and the City of Salem

Table 11

WESTERN VIRGINIA REGIONAL JAIL AUTHORITY
Principal Employers
Current Year and Five Years Ago (1)

Employer	Type of Business	2015		2010	
		Number of Employees	Rank	Number of Employees	Rank
Virginia Polytechnic Institute and State University	State University	5,000 and over	1	5,000 and over	1
Veterans Administration Medical Center	Federal Hospital	1,000 to 4,999	2	1,000 to 4,999	2
Lewis-Gale Hospital HCA	Private	1,000 to 4,999	3	1,000 to 4,999	3
Roanoke County Schools	Local Government	1,000 to 4,999	4	1,000 to 4,999	4
Wells Fargo Operations Center	Private	1,000 to 4,999	5	1,000 to 4,999	6
Montgomery County School Board	Local Government	1,000 to 4,999	6	1,000 to 4,999	8
Franklin County Public Schools	Local Government	1,000 to 4,999	7	1,000 to 4,999	9
Virginia Tech Corporate Research Center	Private	1,000 to 4,999	8	1,000 to 4,999	10
County of Roanoke	Local Government	500-999	9	1,000 to 4,999	7
PlyGem Windows	Private	500-999	10		
Allstate Insurance Company	Private	-	-	1,000 to 4,999	5

(1) The first full year of operations for the Authority was 2010.

Source: Montgomery County Economic Development Department
Franklin County Economic Development Department, Individual Companies
Roanoke County Economic Development Department, Virginia Employment Commission
City of Salem Planning and Economic Development Department, Virginia Employment Commission

Compliance Section

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Board
Western Virginia Regional Jail Authority
Roanoke, 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 for the Commonwealth of Virginia, the financial statements of the business-type activities of Western Virginia Regional Jail Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Western Virginia Regional Jail Authority's basic financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
October 12, 2015