

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

ALBERTA, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEARS ENDED JUNE 30, 2015  
AND 2014

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE YEARS ENDED JUNE 30, 2015  
AND 2014**

CRYSTAL WILLETT  
SUPERINTENDENT

BRENT WRIGHT  
DEPUTY SUPERINTENDENT

JENNIFER DERRENBACKER, CPA  
FINANCE DIRECTOR

# **INTRODUCTORY SECTION**

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Serving the following  
Localities:  
Brunswick County  
Dinwiddie County  
Mecklenburg County

Crystal L. Willett  
Superintendent

9000 Boynton Plank Road  
Alberta, VA 23821  
(434) 949-6700  
(434) 949-0180 Fax

October 21, 2015

The Honorable Members of the  
Meherrin River Regional Jail Authority Board  
Alberta, VA 23821

Dear Authority Board Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Meherrin River Regional Jail Authority (Jail Authority) for the fiscal years ended June 30, 2015 and 2014. The report was prepared by the Superintendent and the Finance Director, who assume full responsibility for the accuracy, completeness, and fairness of information. 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 Funds. This letter should be read in conjunction with the *Management's Discussion and Analysis*, which can be found in the Financial Section of the report.

## PROFILE OF THE ORGANIZATION

The Jail Authority, a political subdivision of the Commonwealth of Virginia, was authorized by Chapter 726 of the 1990 Acts of the General Assembly of Virginia. The participating jurisdictions of the Authority are the Counties of Brunswick, Dinwiddie and Mecklenburg. The Authority is governed by a nine-member board comprised of three members from each locality.

The general purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions. The main facility has 697-beds, consisting of 596 general-purpose beds, a 32-bed work release center, a 6-bed medical housing unit, a 12-bed center for inmate intake, a 12-bed center for transport inmates, a 5-bed center for inmate classification, and 34 special management cells. The satellite facility has 107-beds, consisting of 68 general-purpose beds, a 24-bed work release center, a 4-bed medical housing unit, a 7-bed center for inmate intake, and 4 special management cells.

The legislation that created the Jail Authority requires there be a service agreement between the Jail Authority and its participating jurisdictions. The service agreement is a long-term contract regulating usage of the Jail Authority and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides a basis for the issuance of revenue bonds to fund the final design and construction of the Jail. The board members of the Jail Authority signed the Service Agreement on April 3, 2008. The service agreement was amended on July 1, 2010.

The payments by the participating jurisdictions are subject to the appropriation of funds for such purpose by the governing bodies of the participating jurisdictions.

## ECONOMIC CONDITIONS

Serving the member jurisdictions as Meherrin River Regional Jail Authority does, the overall inmate population is indirectly related to the populations of these localities: Brunswick County, Dinwiddie County and Mecklenburg County are all areas that are continually experiencing growth and increased development. This, in turn, serves as an indicator for the number of persons likely to be incarcerated from those jurisdictions.

Brunswick County's population growth rate is projected to decrease by -1.39% with a total population of 17,191 estimated for 2020. This percentage is skewed due to a prison closing during the study period and is not reflective of the actual population. Brunswick County is in fact expected to have an increase in population due to increased development in the county. Dinwiddie County's population growth rate is expected to be approximately 5.50%, with a total population of 29,542 estimated for 2020. Mecklenburg County's population growth rate is expected to be approximately 0.46%, with a total population of 32,877 estimated for 2020.

The inmate population for the past year was 399. Projections for the upcoming fiscal year are 400 and by the 2017 fiscal year, we anticipate an inmate population of approximately 410.

## MAJOR ACCOMPLISHMENTS AND INITIATIVES

Over the past year, many accomplishments were realized within Meherrin River Regional Jail Authority. The Jail received the "Certificate of Achievement for Excellence in Financial Reporting" for the second year. The annual budget was converted and submitted to the Government Finance Officers Association (GFOA) for the Distinguished Budget Award. The GFOA submitted a letter to the Authority dated September 16, 2015 notifying them of receipt of the budget award.

At no facility cost, the Jail partnered with Pay My Jailer, which is an organization that helps recover outstanding offender debt. The Authority expanded visitation capabilities to the families of the offenders. In addition to the set number of on-site visits allowed per week per offender, and in addition to internet visitation, families can visit for extended periods of time and/or enjoy more than the set number of 2 visits per week. Families can also use their android phones to visit. These added features allow more flexibility and more opportunities for the families while generating revenue for the Jail.

The Authority received the Prison Rape Elimination Act certification for both facilities. In addition, one of the Authority's Lieutenant's was awarded Supervisor of the Year by the Virginia Association of Regional Jails and the Authority's Superintendent was awarded Superintendent of the Year. Several employees won first place in several other events during the Virginia Association of Regional Jail Conference to include the Pistol Tournament.

The staff of Meherrin River Regional Jail Authority works hard each year to give back to the communities. Over the course of the past year the charitable and community based outreach activities have helped make the facility shine amongst the citizens of our user jurisdictions. In addition to participating in such events as Mecklenburg Sheriff's Office Cops and Kids program, Special Olympics and donating items to families in need during the holidays, staff participated in Career Day and school tours. Staff participated in five Career Day Programs and five school tours. The tours provided 203

students an opportunity to learn about the job functions and responsibilities within the Jail and how it is important within the community.

## FINANCIAL INFORMATION AND CONTROLS

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. The Jail Authority's management is responsible for establishing and maintaining internal controls sufficient to ensure safeguarding of jail assets. In developing and evaluating the Jail's accounting system, consideration is given to the adequacy of internal controls. 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.

All internal control evaluations occur within the above framework. We believe that the Jail Authority's internal controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

In addition to the internal controls described above, budgetary controls are also established to ensure compliance with annual operating budgets approved by the Jail Board. Monthly reports containing comparisons between actual and budget and current and prior year amounts are prepared and presented to jail management and the Board.

The Jail Authority usually initiates its annual operating budget preparations in August of each fiscal year (July 1 through June 30). The Finance Director, with input from other departments, prepares a draft budget for the Finance Committee to review. After the Finance Committee's review and approval, a final budget is submitted to the Jail Authority on or before January 1<sup>st</sup> of each year. According to the service agreement, the budget must be adopted by the Board no later than June 30<sup>th</sup> of each year.

## RELEVANT FINANCIAL POLICIES

The Capital Reserve Fund totaling \$815,821 remains unchanged for the year ended June 30, 2015. The Capital Reserve Fund was established to be used in future years to replace capital assets such as vehicles, significant building improvements, etc. thus preventing an increase in the Authority's operating budget.

The Rate Stabilization Fund totaling \$107,074 remains unchanged for the year ended June 30, 2015. The Rate Stabilization Fund was created to prevent large increases in the per diem rate during years when there are significant budget shortfalls.

The Operating Reserve Fund was increased to \$2,220,987 as required by the Authority's service agreement. The service agreement requires that an Operating Reserve Fund be equal to not less than 60 days of the Authority's projected annual budget for each year less debt service or such other amount as is required by the provisions of such obligations.

INDEPENDENT AUDIT

The certified public accounting firm of Robinson, Farmer, Cox Associates has audited the June 30, 2015 and June 30, 2014 financial statements. Their opinion on the financial statements is presented in the financial section of this report.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated efforts of the employees of the Meherrin River Regional Jail Authority.

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

Respectfully submitted,



Crystal Willett  
Superintendent



Jennifer Derrenbacker, CPA  
Finance Director

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**Year Ended June 30, 2015**

Officers

Chairman	Sheriff Brian K. Roberts Brunswick County Sheriff
Vice-Chairman	W. Kevin Massengill Dinwiddie County Administrator
Secretary	H. Wayne Carter, III Mecklenburg County Administrator

Other Members

Charlette T. Woolridge, Brunswick County Administrator  
Bernard L. Jones, Brunswick County Board of Supervisors  
Sheriff “Duck” Adams, Dinwiddie County Sheriff  
William D. Chavis, Dinwiddie County Board of Supervisors  
Sheriff R. W. “Bobby” Hawkins, Mecklenburg County Sheriff  
Evans D. Tanner, Mecklenburg County Board of Supervisors

Counsel

William H. Hefty, Esq.



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Meherrin River Regional Jail  
Virginia**

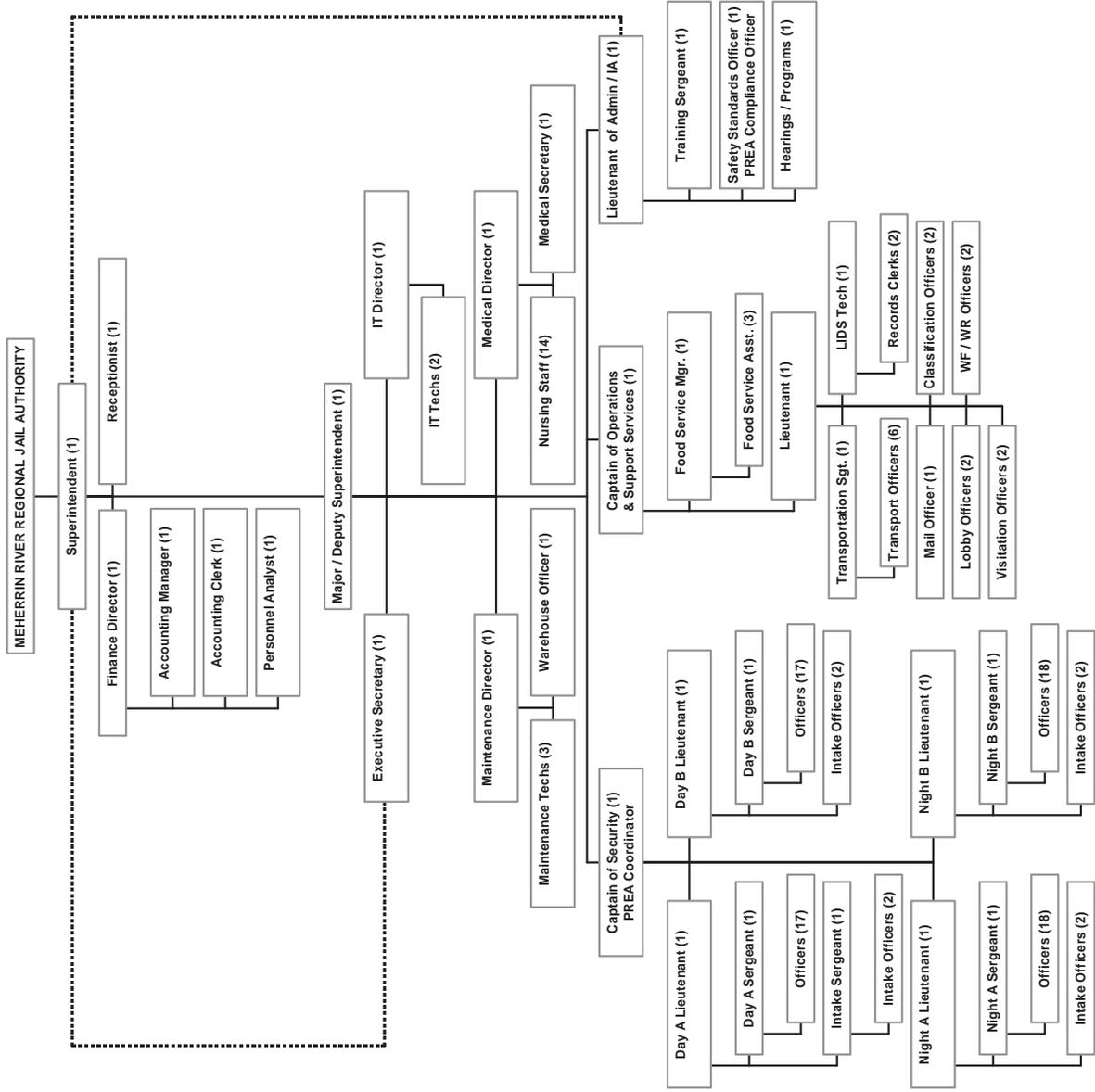
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

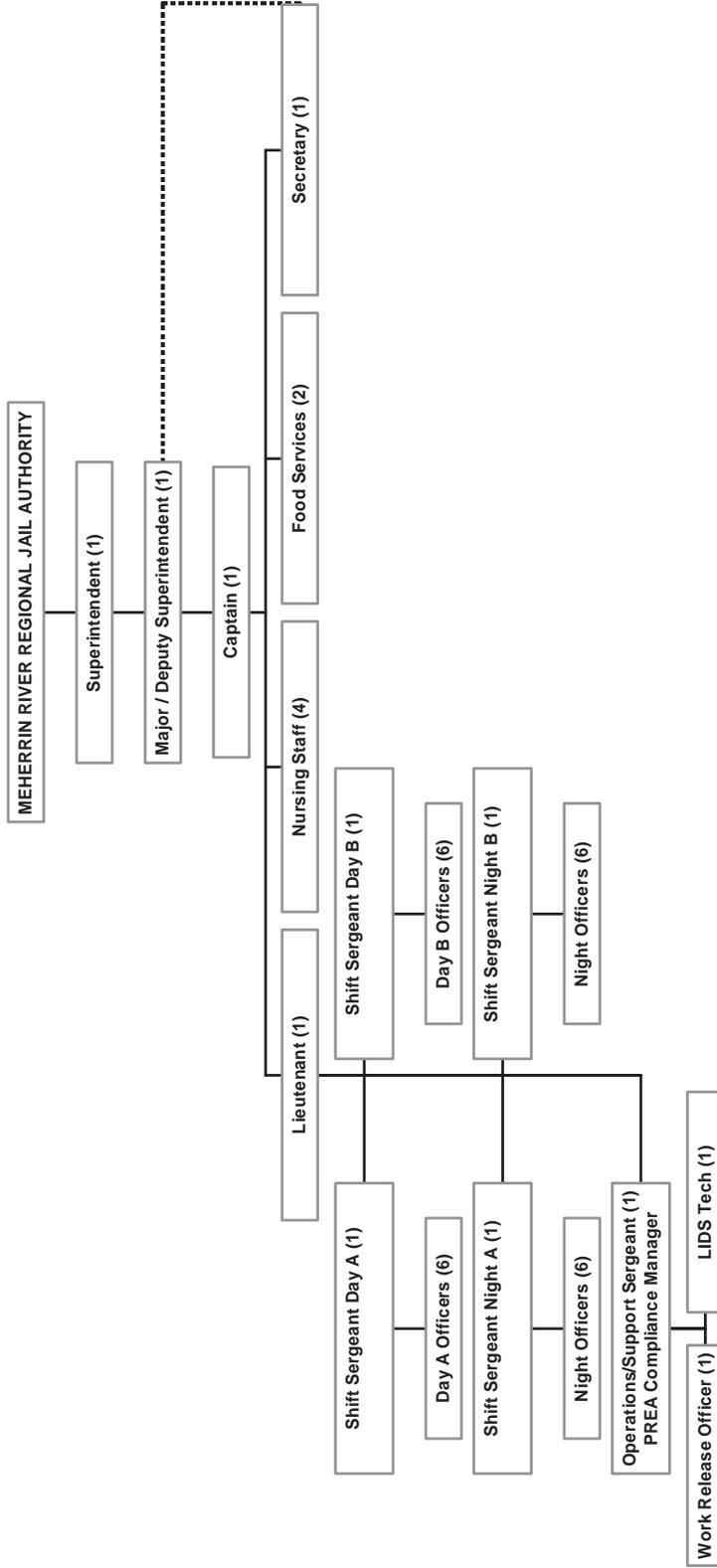
# Meherrin River Regional Jail – Alberta

## Organizational Structure



# Meherrin River Regional Jail - Mecklenburg

## Organizational Structure



## **FINANCIAL SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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**To the Members of  
Meherrin River Regional Jail Authority  
Alberta, Virginia**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Meherrin River Regional Jail Authority, as of and for the year ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express 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 Meherrin River Regional Jail Authority, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 13 to the financial statements, in 2015, Meherrin River Regional Jail Authority adopted new accounting guidance, GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Comparative Information***

As described in Note 13 to the financial statements, GASB Statement Nos. 68 and 71 were implemented prospectively resulting in a restatement of beginning net position. In the year of implementation, comparative information for the net pension liability and related items was unavailable. Therefore, the 2014 amounts related to pensions have not been restated to reflect the requirements of GASB Statement Nos. 68 and 71. Our opinion is not modified with respect to this matter.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 and schedules related to pension and OPEB funding on pages 44-45 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 Meherrin River Regional Jail Authority's basic financial statements. The introductory and statistical sections 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 21, 2015, on our consideration of Meherrin River 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 Meherrin River Regional Jail Authority's internal control over financial reporting and compliance.

*Robinson, Farner, Cox Associates*

Charlottesville, Virginia

October 21, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements of Meherrin River Regional Jail Authority include all business activities and include notes to the financial statements that explain and provide detailed data on information in the financial statements.

The following is management's discussion and analysis of the Jail Authority's financial performance for the years ended June 30, 2015 and 2014. It should be read in conjunction with the letter of transmittal in the Introductory Section, the Jail Authority's financial statements and supplemental information included in the Financial Section and financial performance in the Statistical Section.

### FINANCIAL HIGHLIGHTS

#### Fiscal Year 2015:

- The Jail's net position increased \$191,248 in FY 2015.
- Total revenues, including capital contributions, of the Jail for FY 2015 were \$15,798,637.
- Total expenses of the Jail for FY 2015 were \$15,607,389.

#### Fiscal Year 2014:

- The Jail's net position increased \$29,003,858 in FY 2014.
- Total revenues, including capital contributions, of the Jail for FY 2014 were \$44,552,729.
- Total expenses of the Jail for FY 2014 were \$15,548,871.

#### Fiscal Year 2013:

- The Jail's net position increased \$1,555,135 in FY 2013.
- Total revenues, including capital contributions, of the Jail for FY 2013 were \$14,856,569.
- Total expenses of the Jail for FY 2013 were \$13,301,434.

The Jail Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority. See notes to financial statements for a summary of significant accounting policies.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Jail's basic financial statements. The Jail's basic financial statements consist of the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The first two statements report the Jail's net position and how it has changed. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Jail's financial condition.

The following table summarizes the net position of the Jail at June 30, 2015, 2014 and 2013:

NET POSITION	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 11,948,168	\$ 10,367,803	\$ 8,243,333
Capital assets, net	63,202,297	64,763,956	66,288,427
Total assets	<u>75,150,465</u>	<u>75,131,759</u>	<u>74,531,760</u>
Deferred outflows of resources	<u>639,279</u>	-	-
Long-term liabilities, net	40,894,237	41,813,692	42,736,075
Other liabilities	4,154,834	3,780,702	31,262,178
Total liabilities	<u>45,049,071</u>	<u>45,594,394</u>	<u>73,998,253</u>
Deferred inflows of resources	<u>93,570</u>	-	-
Net position:			
Net investment in capital assets	27,569,130	28,143,944	241,136
Unrestricted	3,077,973	1,393,421	292,371
Total net position	<u>\$ 30,647,103</u>	<u>\$ 29,537,365</u>	<u>\$ 533,507</u>

Overall net position increased 3.76 % in 2015, with unrestricted net position increasing 120.89 % for 2015.

The increase in unrestricted net position in FY 2015 is primarily due to a \$918,490 restatement of net position related to implementation of GASB 68. This implementation also resulted in the reporting of deferred outflows of resources and deferred inflows of resources related to pensions.

**REVENUES**

Operating and nonoperating revenues and capital contributions for the Jail Authority totaled \$15,798,637 for the year ended June 30, 2015, which equates to a \$28,754,092 decrease from fiscal year 2014. The 2014 numbers were inflated as a result of the State’s reimbursement of 50% of facility construction costs. Of this total, per-diem billings to member jurisdictions totaled \$5,017,868 or 38.59 percent of total operating revenues. Per-diem billings to non-member jurisdictions totaled \$204,300 and accounted for 1.57 percent of total operating revenues. The revenues received from the state totaled \$7,155,205 or 55.02 percent of total operating revenues. Inmate and other revenues totaled \$627,092 or 4.82 percent of total operating revenues.

A summary of revenues for the years ended June 30, 2015, 2014 and 2013 is presented in the following computation:

<b><u>REVENUE SOURCE</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Operating Revenue:			
Member Jurisdictions			
Brunswick County	\$ 1,470,054	\$ 1,269,013	\$ 1,774,801
Dinwiddie County	1,191,548	794,993	1,071,699
Mecklenburg County	2,356,266	2,136,616	2,427,718
Subtotal	5,017,868	4,200,622	5,274,218
State Share of Jail Operations			
Compensation Board	7,155,205	7,366,903	6,639,914
Subtotal	7,155,205	7,366,903	6,639,914
Charges for Services			
Work Release	63,240	48,542	27,975
Weekender Fees	19,575	17,904	13,227
Home Incarceration	17,641	11,173	15,827
Medical Co-Pays	12,801	6,588	9,031
Medical Reimbursement	47,846	-	-
Daily Fees	170,707	153,601	182,959
Phone Commission	269,057	288,763	310,874
Internet Visitation	7,530	5,075	-
Bed Rentals	204,300	153,975	-
Miscellaneous Revenue	18,695	13,310	120,926
Subtotal	831,392	698,931	680,819
Total Operating Revenue	13,004,465	12,266,456	12,594,951
Nonoperating Revenue:			
Local Share of Debt Service	2,689,675	1,527,662	-
Grant Income	890	-	-
Interest Income	83,530	311,939	-
Total Nonoperating Revenue	2,774,095	1,839,601	-
Capital Contributions:			
Member Contributions	20,077	28,783	1,905,081
State Reimbursement	-	30,417,889	-
Brunswick County IDA	-	-	356,537
Subtotal	20,077	30,446,672	2,261,618
Total Revenue	\$ 15,798,637	\$ 44,552,729	\$ 14,856,569

## EXPENSES

Operating expenses totaled \$13,908,237 for the year ended June 30, 2015. Of this amount, salaries and employee benefits totaled \$7,730,513, medical services and supplies totaled \$2,449,384, and food service and supplies totaled \$656,597.

Operating expenses totaled \$13,776,861 for the year ended June 30, 2014. Of this amount, salaries and employee benefits totaled \$7,918,752, medical services and supplies totaled \$2,155,802, and food service and supplies totaled \$628,475.

Summary data for the years ended June 30, 2015, 2014 and 2013 are presented in the following computation:

### EXPENSE CLASSIFICATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Expenses:			
Salaries and Wages	\$ 5,492,791	\$ 5,591,719	\$ 5,400,890
Fringe Benefits	2,237,722	2,327,033	2,293,469
Professional Services	79,786	74,462	61,531
Medical Services and Supplies	2,449,384	2,155,802	1,799,969
Materials and Supplies	782,525	746,491	886,208
Food Services and Supplies	656,597	628,475	612,681
Utilities	631,618	676,408	680,614
Depreciation	1,577,814	1,576,471	1,566,072
Total Operating Expenses	<u>13,908,237</u>	<u>13,776,861</u>	<u>13,301,434</u>
Nonoperating Expenses:			
Interest Expense	<u>1,699,152</u>	<u>1,772,010</u>	-
Total Nonoperating Expense	<u>1,699,152</u>	<u>1,772,010</u>	-
Total Expense	<u>\$ 15,607,389</u>	<u>\$ 15,548,871</u>	<u>\$ 13,301,434</u>

## SUMMARY OF OPERATIONS & CHANGE IN NET POSITION

Net Position increased by \$191,248 for the year ended June 30, 2015. This amount includes \$1,074,943 in nonoperating revenues and expenses and \$20,077 in capital contributions.

Summary data is presented in the following computation:

### SUMMARY OF OPERATIONS & CHANGE IN NET POSITION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating:			
Revenues	\$ 13,004,465	\$ 12,266,456	\$ 12,594,951
Expenses	13,908,237	13,776,861	13,301,434
Net operating income (loss)	<u>(903,772)</u>	<u>(1,510,405)</u>	<u>(706,483)</u>
Nonoperating:			
Revenues	2,774,095	1,839,601	-
Expenses	1,699,152	1,772,010	-
Net nonoperating income (loss)	<u>1,074,943</u>	<u>67,591</u>	<u>-</u>
Total net income (loss) before capital contributions	171,171	(1,442,814)	(706,483)
Capital contributions	<u>20,077</u>	<u>30,446,672</u>	<u>2,261,618</u>
Increase (decrease) in net position	<u>191,248</u>	<u>29,003,858</u>	<u>1,555,135</u>
Net position, beginning of year	<u>30,455,855</u>	<u>533,507</u>	<u>(1,021,628)</u>
Net position, end of year	<u>\$ 30,647,103</u>	<u>\$ 29,537,365</u>	<u>\$ 533,507</u>

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71.

### FINANCIAL ANALYSIS OF JAIL FUNDS

The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority.

Jail operations ended fiscal year 2015 with a \$191,248 increase in total net position. Net position increased \$29,003,858 in fiscal year 2014. The increase in fiscal year 2014 net position is primarily due to receiving a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. Net position increased \$1,555,135 in FY13. The increase in net position in FY13 was primarily due to receiving capital contributions totaling \$2,261,618. Of this amount, \$1,905,081 was member contributions for construction of the Jail's satellite facility and \$356,537 was from the Brunswick County IDA as reimbursement for various additions to the water & wastewater expansion contract relative to the construction of the jail.

The Operating Reserve Fund totals \$2,220,987, which equates to 60 days of the Authority's annual budget less debt service as required by the Authority's service agreement. The Rate Stabilization Fund totals \$107,074 at the end of FY 2015. The Capital Reserve Fund totaling \$815,821 represents proceeds from VRA Bonds remaining after construction and is considered restricted cash and may only be used for capital assets or debt service.

The Jail's cash position remains strong with \$6,304,041 in unrestricted funds.

## DEBT ADMINISTRATION

The Jail Authority had total long-term debt outstanding of \$41,326,563 on June 30, 2015. This amount is comprised of a Series 2010 VRA bond. This bond was issued to fund the acquisition, construction and equipping of the Jail. For more detailed information on long-term debt activity refer to Note 5 of the notes to these financial statements.

## CAPITAL ASSETS

Capital assets with a unit cost of \$5,000 or more are capitalized and depreciated over their useful lives using the straight-line method. As of June 30, 2015, capital assets, accumulated depreciation and depreciation expense totaled \$68,168,265, \$4,965,967 and \$1,577,814, respectively. For more detailed information on capital assets activity refer to Note 4 of the notes to these financial statements.

## JAIL AUTHORITY'S PER DIEM RATES

The debt service component and the operating component of the per diem charge is invoiced quarterly by the Jail Authority in advance of service and is payable no later than the last day of the first month of each calendar quarter. The Member Jurisdictions agree to pay their ratable share of the per diem charge as budgeted by the Authority in accordance with the percentages established annually, notwithstanding the actual number of inmates committed or expected to be committed to the system, subject to a fiscal year-end adjustment to reflect annual use of the system. The operational per diem rates were \$30.89, \$29.95, and \$34.61 for 2015, 2014, and 2013 respectively. The debt service per diem rates were \$16.56, \$9.73, and \$0 for 2015, 2014, and 2013 respectively. There was not a debt service component of the per diem charge in fiscal year 2013 because all interest was capitalized.

## REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Jail Authority's finances. Should you have any questions about this report or need additional information, please contact the Finance Director, 9000 Boydton Plank Road, Alberta, VA 23821.

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**Statements of Net Position**  
**June 30, 2015 and 2014**

<b>ASSETS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets:		
Cash and cash equivalents	\$ 6,304,041	\$ 5,342,495
Accounts receivable	556,533	90,730
Grants receivable	890	-
Prepaid expense	113,145	64,536
Due from localities	73,801	442,195
Due from state	690,560	682,008
Cash held for employees - restricted	155	124
Cash held for inmates - restricted	<u>239,944</u>	<u>178,319</u>
Total current assets	<u>7,979,069</u>	<u>6,800,407</u>
Noncurrent assets:		
Restricted cash and cash equivalents	815,821	815,821
Investments	2,742,775	2,751,575
Net pension asset	410,503	-
Capital assets:		
Land	1,061,626	1,061,626
Other capital assets, net of accumulated depreciation	<u>62,140,671</u>	<u>63,702,330</u>
Net capital assets	63,202,297	64,763,956
Total noncurrent assets	<u>67,171,396</u>	<u>68,331,352</u>
Total assets	<u>75,150,465</u>	<u>75,131,759</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	<u>639,279</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	419,758	217,022
Claims payable	102,792	-
Due to localities	1,478,989	1,405,188
Due to members	454,015	474,092
Accrued payroll	1,817	-
Compensated absences	5,974	64,854
Bonds payable, current portion	1,000,810	986,845
Interest payable	450,580	454,258
Cash held for employees	155	124
Cash held for inmates	<u>239,944</u>	<u>178,319</u>
Total current liabilities	<u>4,154,834</u>	<u>3,780,702</u>
Noncurrent liabilities:		
Bonds payable, net of current portion	40,325,753	41,326,563
Compensated absences, net of current portion	534,484	469,629
Net OPEB obligation	<u>34,000</u>	<u>17,500</u>
Total noncurrent liabilities	<u>40,894,237</u>	<u>41,813,692</u>
Total liabilities	<u>45,049,071</u>	<u>45,594,394</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	<u>93,570</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	27,569,130	28,143,944
Unrestricted	<u>3,077,973</u>	<u>1,393,421</u>
Total net position	<u>\$ 30,647,103</u>	<u>\$ 29,537,365</u>

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Charges for services	\$ 812,697	\$ 685,621
Local share of jail operations	5,017,868	4,200,622
State share of jail operations	7,155,205	7,366,903
Miscellaneous	<u>18,695</u>	<u>13,310</u>
Total operating revenues	<u>13,004,465</u>	<u>12,266,456</u>
Operating expenses:		
Personnel	5,492,791	5,591,719
Fringes	2,237,722	2,327,033
Contractual	2,529,170	2,230,265
Other charges	2,070,740	2,051,373
Depreciation	<u>1,577,814</u>	<u>1,576,471</u>
Total operating expenses	<u>13,908,237</u>	<u>13,776,861</u>
Net operating income (loss)	<u>(903,772)</u>	<u>(1,510,405)</u>
Nonoperating revenues (expenses):		
Local Share of Debt Service	2,689,675	1,527,662
Interest and investment earnings	83,530	311,939
Grant income	890	-
Interest expense	<u>(1,699,152)</u>	<u>(1,772,010)</u>
Net nonoperating revenues (expenses)	<u>1,074,943</u>	<u>67,591</u>
Income (loss) before contributions	171,171	(1,442,814)
Capital Contributions:		
Member Contributions-Boydton	20,077	28,783
State Reimbursement	<u>-</u>	<u>30,417,889</u>
Total capital contributions	<u>20,077</u>	<u>30,446,672</u>
Change in net position	191,248	29,003,858
Net position, beginning of year - as restated for FY15	<u>30,455,855</u>	<u>533,507</u>
Net position, end of year	<u>\$ 30,647,103</u>	<u>\$ 29,537,365</u>

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Charges for services	\$ 780,926	\$ 632,267
Revenue from localities	5,439,986	5,241,906
Revenue from state	7,146,653	6,983,395
Payments to suppliers	(4,861,118)	(4,264,337)
Payments to employees	(7,641,153)	(7,836,396)
	<u>865,294</u>	<u>756,834</u>
Net cash provided by (used for) operating activities		
<b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>		
Capital contributions	20,077	28,783
Local share of debt service	2,689,675	1,527,662
Principal paid on capital debt	(880,000)	(29,320,000)
Interest paid on capital debt	(1,809,675)	(2,003,808)
State reimbursement	-	30,417,889
Purchase of capital assets	(16,155)	(52,000)
	<u>3,922</u>	<u>598,526</u>
Net cash provided by (used for) capital & related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and investment earnings	92,330	92,395
	<u>92,330</u>	<u>92,395</u>
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents	961,546	1,447,755
Cash and cash equivalents at beginning of year	6,158,316	4,710,561
	<u>6,158,316</u>	<u>4,710,561</u>
Cash and cash equivalents at end of year	<u>\$ 7,119,862</u>	<u>\$ 6,158,316</u>

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY  
**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

**RECONCILIATION OF OPERATING INCOME (LOSS)**  
**TO NET CASH PROVIDED BY OPERATING**  
**ACTIVITIES:**

	<b><u>2015</u></b>	<b><u>2014</u></b>
Operating Income (Loss)	\$ (903,772)	\$ (1,510,405)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	1,577,814	1,576,471
Deferred pension expense	(37,722)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(465,802)	(66,665)
Prepaid expense	(48,609)	(64,536)
Due from localities	368,394	127,935
Due from state	(8,552)	(383,508)
Increase (decrease) in:		
Accounts payable	202,737	81,839
Claims payable	102,792	-
Due to localities/members	53,724	913,349
Compensated absences	5,973	64,854
Accrued payroll	1,817	-
Net OPEB obligation	16,500	17,500
Net cash provided by (used for) operating activities	<u>\$ 865,294</u>	<u>\$ 756,834</u>

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### **NOTE 1 – BASIS OF PRESENTATION:**

#### The Financial Reporting Entity

The Brunswick-Dinwiddie-Mecklenburg Regional Jail Authority was created pursuant to Article 3.1, Chapter 3, Title 53.1, Code of Virginia (1950), as amended by resolutions duly adopted by the governing bodies of the Counties of Brunswick, Dinwiddie, and Mecklenburg for the purpose of developing a new regional jail to be operated on behalf of the Member Jurisdictions by the Authority. On June 24, 2008, the Authority's name was changed to the Meherrin River Regional Jail Authority. The Board is governed by three members (including the County Administrator and Sheriff) from each of the participating localities and conforms to the statutory provisions of the Code of Virginia (1950), as amended. The Authority is considered to be a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. Construction of the main facility in Alberta, Virginia was completed in early July 2012 at which time the participating localities began sending inmates to the facility. In addition, construction of the satellite facility in Boydton, Virginia was completed in January 2013. The Authority is responsible for operational and debt services costs. Operational costs are paid quarterly and a true-up is done at year end based on actual inmate populations for each locality. The Regional Jail bills each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates include components for both operating and debt service expenses.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Meherrin River Regional Jail 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. Basis of Accounting:

The Authority uses the enterprise fund method of accounting for financial reporting purposes. Enterprise fund accounting uses the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

#### B. Cash and Cash Equivalents:

The Authority's cash and cash equivalents consist of cash on hand and demand deposits.

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash represents proceeds from a VRA Bond that are remaining after construction. These proceeds may only be used for capital assets or debt service.

#### C. Investments:

Investments are stated at fair value.

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

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

#### D. Capital Assets:

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value at the date of gift. The Authority's capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of construction include legal, bond and loan closing costs, plus interest costs less interest earned on construction funds during the period of construction.

Depreciation is provided using the straight-line method over the estimated useful lives of each asset class as follows:

Buildings and improvements	50 years
Land improvements	20 years
Equipment, furniture and fixtures	5 to 20 years
Vehicles	5 years
Intangibles	5 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

#### E. Use of Estimates:

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

#### F. Bond Premium:

A premium of \$2,295,640 resulted from the issuance of bonds in association with the financing of jail construction. The premium is being amortized using the effective interest method over the life of the bond issue of 30 years. Amortization for FY 2015 totaled \$106,845. The balance of the unamortized bond premium at June 30, 2015 is \$1,791,563.

#### G. Net Position:

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

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

#### H. Net position flow assumption:

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

#### I. Vacation, Sick, and Holiday Leave:

Jail Authority employees will earn vacation and sick leave in varying amounts on a semi-monthly basis, based upon length of service. Annual carryover limitations apply to vacation hours but not to sick leave. Employees are compensated for unused vacation and sick leave upon separation, retirement or death based upon years of service and are limited to a maximum dollar amount. Holidays earned by an employee, classified as essential personnel, will be those days specified by the Meherrin River Regional Jail Authority to be taken. All non-essential personnel, as designated by the Superintendent, will take the thirteen scheduled holidays granted per year unless ordered otherwise.

#### J. Budget:

The Superintendent must submit a balanced budget to the Jail Authority on or before January 1<sup>st</sup> each year. The budget denotes per diem rates charged to member jurisdictions, and line item revenues and expenses. The Jail Authority must adopt a final budget on or before June 30<sup>th</sup> each year.

#### K. Deferred Outflows/Inflows of Resources:

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

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

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

#### L. Pensions:

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

### NOTE 3 – DEPOSITS AND INVESTMENTS:

#### Deposits:

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

#### 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, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

#### Change in Fair Value of Investments:

Fair value at 12/31/15	\$ 2,742,775
Add: Proceeds for investments sold	-
Less: Cost of Investments purchased	-
Less: Fair value at 12/31/14	<u>2,751,575</u>
Change in fair value of investments	<u>\$ (8,800)</u>

#### Credit Risk of Investments:

The Authority does not have a policy related to the credit risk of investments.

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED):

#### Credit Risk of Debt Securities:

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

<u>Rated Debt Investments Value</u>	<u>Fair Quality</u>	
	<u>Ratings</u>	
	<u>AAA</u>	
U. S. Treasury Bonds and Notes	\$	2,742,775
State Non-Arbitrage Pool		1,218,829
Total	\$	<u>3,961,604</u>

#### Interest Rate Risk:

The Authority does not have a policy related to interest rate risk.

	<u>Investment Maturities (in years)</u>	
	<u>Fair Value</u>	<u>6 Years</u>
U. S. Treasury Securities	\$ <u>2,742,775</u>	\$ <u>2,742,775</u>

#### External Investment Pool:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in SNAP is the same as the values of the pool shares. The Authority does not have a policy related to investment-related risk associated with SNAP.

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# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 4 - CAPITAL ASSETS:

The following is a summary of changes in capital assets for the years ended June 30, 2015 and 2014:

<b>June 30, 2015:</b>	<b>Balance June 30, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2015</b>
Capital assets not being depreciated:				
Land	\$ 1,061,626	\$ -	\$ -	\$ 1,061,626
Total capital assets not being depreciated	\$ 1,061,626	\$ -	\$ -	\$ 1,061,626
Capital assets being depreciated:				
Land/site improvements - fencing	\$ 20,504	\$ -	\$ -	\$ 20,504
Buildings and improvements	65,022,465	-	-	65,022,465
Equipment, furniture, fixtures	1,151,181	16,155	-	1,167,336
Vehicles	534,080	-	-	534,080
Intangibles	362,253	-	-	362,253
Total capital assets being depreciated	\$ 67,090,484	\$ 16,155	\$ -	\$ 67,106,639
Less: Accumulated depreciation				
Land/site improvements - fencing	\$ 3,075	\$ 1,025	\$ -	\$ 4,100
Buildings and improvements	2,602,566	1,301,283	-	3,903,849
Equipment, furniture, fixtures	270,417	96,239	-	366,656
Vehicles	318,770	106,816	-	425,586
Intangibles	193,326	72,451	-	265,777
Total accumulated depreciation	\$ 3,388,153	\$ 1,577,814	\$ -	\$ 4,965,967
Net capital assets being depreciated	\$ 63,702,330	\$ (1,561,659)	\$ -	\$ 62,140,671
Total capital assets	\$ 64,763,956	\$ (1,561,659)	\$ -	\$ 63,202,297
<b>June 30, 2014:</b>	<b>Balance June 30, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
Capital assets not being depreciated:				
Land	\$ 1,061,626	\$ -	\$ -	\$ 1,061,626
Total capital assets not being depreciated	\$ 1,061,626	\$ -	\$ -	\$ 1,061,626
Capital assets being depreciated:				
Land/site improvements - fencing	\$ 20,504	\$ -	\$ -	\$ 20,504
Buildings and improvements	65,022,465	-	-	65,022,465
Equipment, furniture, fixtures	1,151,181	-	-	1,151,181
Vehicles	534,080	-	-	534,080
Intangibles	310,253	52,000	-	362,253
Total capital assets being depreciated	\$ 67,038,484	\$ 52,000	\$ -	\$ 67,090,484
Less: Accumulated depreciation				
Land/site improvements - fencing	\$ 2,050	\$ 1,025	\$ -	\$ 3,075
Buildings and improvements	1,301,283	1,301,283	-	2,602,566
Equipment, furniture, fixtures	175,520	94,897	-	270,417
Vehicles	211,954	106,816	-	318,770
Intangibles	120,876	72,450	-	193,326
Total accumulated depreciation	\$ 1,811,682	\$ 1,576,471	\$ -	\$ 3,388,153
Net capital assets being depreciated	\$ 65,226,801	\$ (1,524,471)	\$ -	\$ 63,702,330
Total capital assets	\$ 66,288,427	\$ (1,524,471)	\$ -	\$ 64,763,956

### Reconciliation of Net Investment in Capital Assets:

Net Capital Assets	\$ 63,202,297
Less: Outstanding Bonds	(41,326,563)
Add: Unspent Proceeds	3,559,598
Add: Proceeds Spent on Operations	2,133,798
Net Investment in Capital Assets	<u>\$ 27,569,130</u>

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 5 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations for the years ended June 30, 2015 and 2014:

<b>June 30, 2015:</b>	<b>Balance</b>		<b>Balance</b>		<b>Due Within</b>
	<b>June 30, 2014</b>	<b>Issuances</b>	<b>Reductions</b>	<b>June 30, 2015</b>	<b>One Year</b>
Bonds payable:					
Revenue Bond, series 2010	\$ 40,415,000	\$ -	\$ 880,000	\$ 39,535,000	\$ 895,000
Add:					
Unamortized Bond Premium	1,898,408	-	106,845	1,791,563	105,810
Total Bonds payable	\$ 42,313,408	\$ -	\$ 986,845	\$ 41,326,563	\$ 1,000,810
Compensated absences	534,483	413,619	407,645	540,457	5,974
Net OPEB obligation	17,500	26,600	10,100	34,000	-
Total Long-Term Obligations	\$ 42,865,391	\$ 440,219	\$ 1,404,590	\$ 41,901,020	\$ 1,006,784

<b>June 30, 2014:</b>	<b>Balance</b>		<b>Balance</b>		<b>Due Within</b>
	<b>June 30, 2013</b>	<b>Issuances</b>	<b>Reductions</b>	<b>June 30, 2014</b>	<b>One Year</b>
Notes payable:					
Grant anticipation note, series 2010	\$ 23,310,000	\$ -	\$ 23,310,000	\$ -	\$ -
SunTrust note, series 2011	6,010,000	-	6,010,000	-	-
Total Notes payable	\$ 29,320,000	\$ -	\$ 29,320,000	\$ -	\$ -
Bonds payable:					
Revenue Bond, series 2010	\$ 40,415,000	\$ -	\$ -	\$ 40,415,000	\$ 880,000
Add:					
Unamortized Bond Premium	2,005,688	-	107,279	1,898,408	106,845
Total Bonds payable	\$ 42,420,688	\$ -	\$ 107,279	\$ 42,313,408	\$ 986,845
Compensated absences	469,629	429,975	365,121	534,483	64,854
Net OPEB obligation	-	25,700	8,200	17,500	-
Total Long-Term Obligations	\$ 72,210,317	\$ 455,675	\$ 29,800,600	\$ 42,865,391	\$ 1,051,699

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

<b>Year Ending</b>	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
<b>June 30,</b>		
2016	\$ 895,000	\$ 1,792,138
2017	920,000	1,770,341
2018	940,000	1,746,856
2019	965,000	1,721,233
2020	995,000	1,691,560
2021-2025	5,540,000	7,901,746
2026-2030	6,760,000	6,677,586
2031-2035	8,665,000	4,772,705
2036-2040	11,235,000	2,202,070
2041	2,620,000	68,120
Total	\$ 39,535,000	\$ 30,344,355

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 5 – LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations are as follows:

	<u>Total</u>
Bonds Payable:	
\$40,415,000 VRA bonds for jail construction, Series 2010, issued August 18, 2010, interest at rates ranging from 2.275% to 5.20%, maturing in various quarterly installments ranging from \$34,060 to \$1,344,060 through October 10, 2040.	\$ 39,535,000
Add: Unamortized bond premium	<u>1,791,563</u>
Total bonds payable	\$ <u>41,326,563</u>
Compensated Absences	\$ 540,457
Net OPEB obligation	\$ <u>34,000</u>
Total long-term obligations	\$ <u><u>41,901,020</u></u>

### NOTE 6 – CONTRIBUTIONS FROM OTHERS:

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed \$2,493,477 for the construction of the Mecklenburg satellite facility. The remaining balance of \$454,015 is shown as Due to Members on the Statement of Net Position.

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed \$2,689,675 for debt service during FY 2015.

	<u>Amount</u>
Member Contributions Boydton	\$ 20,077
Local Share of Debt Service	<u>2,689,675</u>
Total	\$ <u><u>2,709,752</u></u>

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# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 7 – PENSION PLAN:

#### *Plan Description*

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

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

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2015 and 2014

## NOTE 7 – PENSION PLAN (CONTINUED):

### *Plan Description (Continued)*

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b></p>	<p><b>Vesting (Cont.)</b>  <u><b>Defined Contributions Component: (Cont.)</b></u>                      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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>                      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><b>Calculating the Benefit</b>                      See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u><b>Defined Benefit Component:</b></u>                      See definition under Plan 1</p>

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2015 and 2014

## NOTE 7 – PENSION PLAN (CONTINUED):

### *Plan Description (Continued)*

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2015 and 2014

## NOTE 7 – PENSION PLAN (CONTINUED):

### *Plan Description (Continued)*

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

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

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

Notes to Financial Statements

June 30, 2015 and 2014

**NOTE 7 – PENSION PLAN (CONTINUED):**

*Plan Description (Continued)*

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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### **NOTE 7 – 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	0
Inactive members:	
Vested inactive members	3
Non-vested inactive members	22
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	35
Active members	<u>154</u>
Total covered employees	<u>189</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.

Meherrin River Regional Jail Authority's contractually required contribution rate for the year ended June 30, 2015 and 2014 were 11.90% and 12.00%, respectively of covered employee compensation. These rates were 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 Meherrin River Regional Jail Authority were \$639,279 and \$652,301 for the years ended June 30, 2015 and June 30, 2014, respectively.

#### *Net Pension Asset*

Meherrin River Regional Jail Authority's net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension 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.

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 7 – PENSION PLAN (CONTINUED):

#### *Actuarial Assumptions – General Employees*

The total pension liability for General Employees in the Meherrin River Regional Jail Authority 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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### **NOTE 7 – 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 Meherrin River Regional Jail Authority 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.

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### **NOTE 7 – 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

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 7 – 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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%
<b>Total</b>	<b><u>100.00%</u></b>		<b><u>5.83%</u></b>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u><u>8.33%</u></u>

\* 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%.

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 7 – PENSION PLAN (CONTINUED):

#### *Discount Rate*

The discount rate used to measure the total pension asset 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 Meherrin River 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 Asset*

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2013	\$ 679,140	\$ 945,329	\$ (266,189)
Changes for the year:			
Service cost	\$ 949,467	\$ -	\$ 949,467
Interest	45,837	-	45,837
Differences between expected and actual experience	-	-	-
Contributions - employer	-	652,301	(652,301)
Contributions - employee	-	273,876	(273,876)
Net investment income	-	213,835	(213,835)
Benefit payments, including refunds of employee contributions	(48,652)	(48,652)	-
Administrative expenses	-	(405)	405
Other changes	-	11	(11)
Net changes	<u>\$ 946,652</u>	<u>\$ 1,090,966</u>	<u>\$ (144,314)</u>
Balances at June 30, 2014	<u>\$ 1,625,792</u>	<u>\$ 2,036,295</u>	<u>\$ (410,503)</u>

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 7 – PENSION PLAN (CONTINUED):

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

The following presents the net pension asset of the Meherrin River Regional Jail Authority using the discount rate of 7.00%, as well as what the Meherrin River Regional Jail Authority's net pension 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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Meherrin River Regional Jail Net Pension Asset	\$79,357	\$410,503	\$671,432

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

For the year ended June 30, 2015, the Meherrin River Regional Jail Authority recognized pension expense of \$601,557. At June 30, 2015, the Meherrin River Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Change in assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	93,570
Employer contributions subsequent to the measurement date	<u>639,279</u>	<u>0</u>
Total	<u>\$ 639,279</u>	<u>\$ 93,570</u>

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### **NOTE 7 – PENSION PLAN (CONTINUED):**

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

\$639,279 reported as deferred outflows of resources related to pensions resulting from Meherrin River Regional Jail Authority's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset 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	\$ (23,392)
2017	(23,392)
2018	(23,392)
2019	(23,394)
Thereafter	0

### **NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS:**

#### *Meherrin River Regional Jail Retiree Medical Plan*

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

The jail provides health insurance benefits to retired employees and their beneficiaries through an employer plan established July 1, 2013. This plan is limited to retirees that were hired on or before July 1, 2012, with a minimum retiree age of 55 and a minimum of 15 years of service. Retirees are responsible for paying 100% of their monthly premiums. Retirees will be covered based on the level of coverage they had while employed at the jail. The jail may change or terminate any portion of this plan at any time.

##### **B. Funding Policy**

The jail provides postemployment health insurance benefits to retirees, their spouses, and their dependents until the retiree reaches Medicare eligibility. Employees currently eligible to participate are the only persons that will ever meet the eligibility requirements.

The funding policy of the jail is to contribute the plan benefit claims for the fiscal year on a pay-as-you-go basis. This means that the employer share of net benefits is the difference between the expected benefit payments and the retiree contributions.

##### **C. Annual OPEB cost and Net OPEB obligation**

The jail's annual other postemployment benefit (OPEB) cost (expense) is calculated based on 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess)

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS:(CONTINUED)

#### C. Annual OPEB cost and Net OPEB obligation (Continued)

over a period not to exceed thirty years. The following table shows the components of the jail's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the jail's net OPEB obligation.

Annual required contribution (ARC)	\$	26,900
Interest on net OPEB obligation		700
Adjustment to annual required contribution		<u>(1,000)</u>
Annual OPEB cost (expense)		26,600
Contributions made		<u>(10,100)</u>
Increase in net OPEB obligation		16,500
Net OPEB Obligation, Beginning of Year		<u>17,500</u>
Net OPEB Obligation, End of Year	\$	<u><u>34,000</u></u>

The jail's annual OPEB cost, percentage of OPEB cost contributed, and net postemployment benefit obligation for the plan for the fiscal years ended June 30, 2015 and June 30, 2014 (only available data as this is the second plan year) is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
6/30/2014	\$ 25,700	31.91%	\$ 17,500
6/30/2015	26,600	37.97%	34,000

#### D. Funded status and funding progress

As of July 1, 2013, the most recent actuarial valuation date (the initial actuarial valuation for the plan), the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$	240,400
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u><u>240,400</u></u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (annual payroll of active employees covered by the plan)	\$	283,900
UAAL as a percentage of covered payroll		84.68%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### **NOTE 8 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS:(CONTINUED)**

#### **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 the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, after this initial year, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The ARC for the plan's initial year was determined as part of the July 1, 2013 actuarial valuation using the following methods and assumptions:

Actuarial cost method	projected unit credit
Amortization method	level percentage over time, open
Remaining amortization period	20 years
Inflation rate	2.50%
Asset valuation method	no assets held in trust for this plan
Interest rate	4.00%
Healthcare cost trend rate	8.00%

#### **NOTE 9 – COMPENSATED ABSENCES:**

Jail Authority employees are granted vacation and sick leave in varying amounts. In addition, certain employees accrue compensation time for overtime hours worked. In the event of termination, employees are reimbursed for their unused accumulated vacation and compensation time. The Authority had accrued \$540,457 as of June 30, 2015 as the liability arising from compensated absences.

The compensated absences liability for the Jail is accounted for using the LIFO basis which is under the assumption that the employees are taking time as it is earned, therefore the current portion to report as of June 30, 2015, was approximately \$5,974.

#### **NOTE 10 – RISK MANAGEMENT / SELF INSURANCE:**

The Jail Authority's risk management program involves maintaining comprehensive insurance coverage and identifying and monitoring loss exposure. The Jail Authority's comprehensive property, boiler and machinery, automobile, business interruption, inland marine and worker's compensation insurance is provided through the Virginia Association of Counties (VACO). The purpose of the association is to create and administer group self-insurance pools for political subdivisions of the Commonwealth of Virginia pursuant to the authority provided in Chapter 11.1 of Title 15.1 of the Code of Virginia. The association is managed by a seven member supervisory Board, who is elected by members at their annual meeting. Annual rates are based on estimated claims and reserve requirements. Pool deficits, should they materialize, will be eliminated through the levying of an additional assessment upon association members.

General liability and faithful performance of duty bond coverages are provided by the Commonwealth of Virginia, Department of General Services, and Division of Risk Management. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**NOTE 10 – RISK MANAGEMENT / SELF INSURANCE (CONTINUED):**

*Employee Health Insurance:*

Health Insurance coverage is provided to Jail employees through Meherrin River Regional Jail Authority’s self-insured health insurance program. The Jail changed to a self-insured Health Insurance program as of July 1, 2014. The Jail has contracted with private carriers to administer this activity. Health Insurance expenses represent premium payments to the private carrier. The premium payments are based on the number insured and benefits.

Claims liability is reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Incurred but not reported claims have been accrued as a liability based upon prior history and estimates from the insurance carrier. Changes in the estimated claims liability for fiscal year 2015 are listed as follows:

<u>Fiscal Year Ended</u>	<u>Estimated Claims Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Estimated Claims Liability End of Fiscal Year</u>
June 30, 2015	\$ -	\$ 1,229,693	\$ 1,126,901	\$ 102,792

*Unemployment Insurance:*

The Jail is fully self-insured for unemployment claims. The Virginia Employment Commission bills the Jail for all unemployment claims. As of June 30, 2015 the Jail has incurred no liability for billed but unpaid claims. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

**NOTE 11 – LITIGATION:**

At June 30, 2015, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

**NOTE 12 – DUE FROM (TO) OTHER GOVERNMENTS:**

Amounts due from (to) other governments at June 30, 2015 are as follows:

From (To) Virginia Compensation Board	\$ 690,560
From (To) Member Jurisdictions	
Brunswick County-per diem	(870,728)
Dinwiddie County-per diem	(608,261)
Mecklenburg County-per diem	73,801
Member Contributions Boydton	(454,015)
	<u>(1,859,203)</u>
 Total	 <u>\$ (1,168,643)</u>

# MEHERRIN RIVER REGIONAL JAIL AUTHORITY

## Notes to Financial Statements

June 30, 2015 and 2014

### NOTE 13 – 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 Jail implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	\$ 29,537,365
Implementation of GASB 68	<u>918,490</u>
Net Position as restated at June 30, 2014	<u>\$ 30,455,855</u>

In the year of implementation of GASB 68, prior year comparative information was unavailable. Therefore, the 2014 information has not been restated to reflect the requirements of GASB 68 and 71. In addition, pension information as required by GASB 27 was reported in the CAFR dated June 30, 2014 and 2013. This information was not reported herein to avoid confusion and duplication. For details related to the 2014 pension information, the prior year CAFR should be referenced.

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2015**

**Schedule of Components of and Changes in Net Pension Liability and Related Ratios**

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 949,467
Interest	45,837
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(48,652)
<b>Net change in total pension liability</b>	<b>\$ 946,652</b>
<b>Total pension liability - beginning</b>	<b>679,140</b>
<b>Total pension liability- ending (a)</b>	<b>\$ 1,625,792</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 652,301
Contributions - employee	273,876
Net investment income	213,835
Benefit payments, including refunds of employee contributions	(48,652)
Administrative expense	(405)
Other	11
<b>Net change in plan fiduciary net position</b>	<b>\$ 1,090,966</b>
<b>Plan fiduciary net position - beginning</b>	<b>945,329</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,036,295</b>
<b>Political subdivision's net pension asset - ending (b) - (a)</b>	<b>\$ 410,503</b>
<b>Plan fiduciary net position as a percentage of the total pension asset</b>	<b>125.25%</b>
<b>Covered-employee payroll</b>	<b>\$ 5,603,409</b>
<b>Political subdivision's net pension asset as a percentage of covered-employee payroll</b>	<b>7.33%</b>

**Schedule of Employer Contributions**

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
2015	\$ 639,279	\$ 639,279	-	\$ 5,492,791	11.64%

These schedules are 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.

**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**Required Supplementary Information**  
**For the Year Ended June 30, 2015**

**Schedule of OPEB Funding Progress-Meherrin River Regional Jail Retiree Medical Plan (UNAUDITED):**

	(a)	(b)	(b-a)	(a/b)	(c)	{{b-a}/c}
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	-	240,400	240,400	0.00%	283,900	84.68%

Note: Only one year of actuarial data is available.

**Notes to Required Supplementary Information**

**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 INFORMATION**

The statistical section is a required part of the Comprehensive Annual Financial Report (CAFR) per Governmental Accounting Standards Board Statement 44. The statistical section presents detailed information in ten-year trends, which assists users in utilizing the basic financial statements, notes to the basic financial statements, and requires supplementary information to assess the economic condition of an organization.

The statistical section is broken down into five categories; financial trend data, revenue capacity data, debt capacity data, demographic and economic information, and operating information.

The financial trend data is comprised of tables that show net position by component, changes in net position, operating expenses, other revenues and expenses, and operating revenues and expenses. The revenue capacity data looks at such things as operating revenues by source, revenue and billed inmate days by customer and largest revenue source. The debt capacity data shows outstanding debt by type and revenue bond coverage ratios. The demographic and economic information is comprised of number of inmates, principal employers, population, and unemployment rates by jurisdiction. The operating information contains tables for number of employees by activities and a listing of insurance coverage.

**TABLE 1**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014<sup>1</sup></u>	<u>2013</u>
Net investment in capital assets	\$ 27,569,130	\$ 28,143,944	\$ 241,136
Unrestricted	<u>3,077,973</u>	<u>1,393,421</u>	<u>292,371</u>
Total Net Position	<u>\$ 30,647,103</u>	<u>\$ 29,537,365</u>	<u>\$ 533,507</u>

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

The large increase in net position in FY 2014 is primarily due to a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off \$29,320,000 in interim financing causing an especially large decrease in liabilities.

**TABLE 2**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income (Loss)</b>	<b>Nonoperating Revenues</b>	<b>Nonoperating Expenses</b>	<b>Total Capital Contributions</b>	<b>Change In Net Position</b>
<b>2015</b>	\$ 13,004,465	\$ 13,908,237	\$ (903,772)	\$ 2,774,095	\$ 1,699,152	\$ 20,077	\$ 191,248
<b>2014</b>	\$ 12,266,456	\$ 13,776,861	\$ (1,510,405)	\$ 1,839,601	\$ 1,772,010	\$ 30,446,672 <sup>1</sup>	\$ 29,003,858
<b>2013</b>	\$ 12,594,951	\$ 13,301,434	\$ (706,483)	\$ -	\$ -	\$ 2,261,618	\$ 1,555,135

**NOTE: Meherrin River Regional Jail opened July 1, 2012**

<sup>1</sup> The large increase in capital contributions in FY 2014 is primarily due to a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off \$29,320,000 in interim financing causing an especially large decrease in liabilities.

**TABLE 3**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**OPERATING EXPENSES**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Personnel</b>	<b>Fringe Benefits</b>	<b>Contractual</b>	<b>Other Charges</b>	<b>Depreciation</b>	<b>Total Operating Expenses</b>
<b>2015</b>	\$ 5,492,791	\$ 2,237,722	\$ 2,529,170	\$ 2,070,740	\$ 1,577,814	\$ 13,908,237
<b>2014</b>	\$ 5,591,719	\$ 2,327,033	\$ 2,230,265	\$ 2,051,373	\$ 1,576,471	\$ 13,776,861
<b>2013</b>	\$ 5,400,890	\$ 2,293,469	\$ 1,861,500	\$ 2,179,504	\$ 1,566,072	\$ 13,301,434

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

**TABLE 4**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**OTHER REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Nonoperating Revenues</b>	<b>Capital Contributions</b>	<b>Nonoperating Expenses</b>	<b>Total Other Revenues and Expenses</b>
<b>2015</b>	\$ 2,774,095	\$ 20,077	\$ 1,699,152	\$ 1,095,020
<b>2014</b>	\$ 1,839,601	\$ 30,446,672 <sup>1</sup>	\$ 1,772,010	\$30,514,263
<b>2013</b>	-	\$ 2,261,618	-	\$ 2,261,618

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

<sup>1</sup> The large increase in capital contributions in FY 2014 is primarily due to a \$30,417,889 state reimbursement which reimbursed the Authority 50% of the cost to build the facility. The state reimbursement was used to pay off \$29,320,000 in interim financing causing an especially large decrease in liabilities.

**TABLE 5**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**OPERATING REVENUES AND EXPENSES**  
**Last Ten Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>			
Member Jurisdictions	\$ 5,017,868	\$ 4,200,622	\$ 5,274,218
State Compensation Board	7,155,205	7,366,903	6,639,914
Telephone Commission	269,057	288,763	310,874
Daily Fees	170,707	153,601	182,959
Work Release	63,240	48,542	27,975
Weekender Fees	19,575	17,904	13,227
Home Incarceration	17,641	11,173	15,827
Medical Co-Pays	12,801	6,588	9,031
Medical Reimbursement	47,846	-	-
Internet Visitation	7,530	5,075	-
Bed Rentals	204,300	153,975	-
Miscellaneous	18,695	13,310	120,926
Total Revenues	<u>13,004,465</u>	<u>12,266,456</u>	<u>12,594,951</u>
<b>Expenses:</b>			
Salaries and benefits	7,730,513	7,918,752	7,694,359
Professional services	79,786	74,462	61,531
Materials and supplies	782,525	746,491	886,208
Medical services and supplies	2,449,384	2,155,802	1,799,969
Food service and supplies	656,597	628,475	612,681
Utilities	631,618	676,408	680,614
Depreciation	1,577,814	1,576,471	1,566,072
Total expenses	<u>13,908,237</u>	<u>13,776,861</u>	<u>13,301,434</u>
Net operating income (loss)	<u>\$ (903,772)</u>	<u>\$ (1,510,405)</u>	<u>\$ (706,483)</u>

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

**TABLE 6**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**OPERATING REVENUES BY SOURCE**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>County of Brunswick</b>	<b>County of Dinwiddie</b>	<b>County of Mecklenburg</b>	<b>Other Governments</b>	<b>Other</b>	<b>Total</b>
<b>2015</b>	\$ 1,470,054	\$ 1,191,548	\$ 2,356,266	\$ 7,155,205	\$ 831,392	\$ 13,004,465
<b>2014</b>	\$ 1,269,013	\$ 794,993	\$ 2,136,616	\$ 7,366,903	\$ 698,931	\$ 12,266,456
<b>2013</b>	\$ 1,774,801	\$ 1,071,699	\$ 2,427,718	\$ 6,639,914	\$ 680,819	\$ 12,594,951

**NOTE: Meherrin River Regional Jail opened on July 1, 2012.**

**TABLE 7**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**REVENUES & BILLED INMATE DAYS - BY CUSTOMER**  
**Last Ten Fiscal Years**

Fiscal Year	Brunswick County			Dinwiddie County			Mecklenburg County		
	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed
<b>2015</b>	\$1,470,054	\$ 30.89	47,590	\$1,191,548	\$ 30.89	38,574	\$2,356,266	\$ 30.89	76,279
<b>2014</b>	\$1,269,013	\$ 29.95	42,371	\$ 794,993	\$ 29.95	26,544	\$2,136,616	\$ 29.95	71,339
<b>2013</b>	\$1,774,801	\$ 34.61	51,280	\$1,071,699	\$ 34.61	30,965	\$2,427,718	\$ 34.61	70,145

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

**TABLE 8**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**LARGEST OPERATING REVENUE SOURCE**  
**Current Year and Period Nine Years Ago**

	<u>Fiscal Year 2015</u>		<u>Fiscal Year 2013</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>State Compensation Board</b>	\$ 7,155,205	55.02%	\$ 6,639,914	52.72%
<b>Mecklenburg County</b>	2,356,266	18.12%	2,427,718	19.28%
<b>Subtotal</b>	9,511,471	73.14%	9,067,632	71.99%
<b>Balance from other revenue sources</b>	3,492,994	26.86%	3,527,319	28.01%
<b>Grand Totals</b>	<u>\$ 13,004,465</u>	<u>100.00%</u>	<u>\$ 12,594,951</u>	<u>100.00%</u>

The table includes the largest revenue sources required to reach 50 percent of the revenue base.

NOTE: Meherrin River Regional Jail opened July 1, 2012.

**TABLE 9**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Revenue Bonds	Notes Payable	Total	Brunswick		Dinwiddie (1)		Mecklenburg	
				Annual Total Personal Income (2) (in thousands)	Annual Per Capita Personal Income (2)	Annual Total Personal Income (2) (in thousands)	Annual Per Capita Personal Income (2)	Annual Total Personal Income (2) (in thousands)	Annual Per Capita Personal Income (2)
2015	\$ 41,326,563	\$ -	\$ 41,326,563	\$ 505,118	\$ 29,760	\$ 3,172,112	\$ 40,629	\$ 1,053,853	\$ 33,534
2014	\$ 42,313,408	\$ -	\$ 42,313,408	\$ 497,900	\$ 29,271	\$ 3,138,193	\$ 40,521	\$ 1,055,313	\$ 33,239
2013	\$ 42,420,688	\$ 29,320,000	\$ 71,740,688	\$ 468,093	\$ 27,208	\$ 2,951,555	\$ 37,994	\$ 1,008,394	\$ 30,911

NOTE: Meherrin River Regional Jail opened July 1, 2012.

(1) According to the U.S. Census Bureau, Dinwiddie is part of a Virginia combination area which includes Dinwiddie, Colonial Heights, and Petersburg. Separate estimates for Dinwiddie are not available.

(2) Information provided by the U.S. Census Bureau, Bureau of Economic Analysis.

**TABLE 10**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**REVENUE BOND COVERAGE**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Operating Revenues</b>	<b>Operating and Capital Expenses (1)</b>	<b>Available Unrestricted Net Position</b>	<b>Net Revenue Available for Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Payments to Reserves</b>	<b>Total (2)</b>	<b>Bond Coverage</b>
<b>2015</b>	\$ 13,004,465	\$ 12,330,423	\$ 3,077,973	\$ 3,752,015	\$ 880,000	\$ 1,809,675	\$ -	\$ 2,689,675	139%
<b>2014</b>	\$ 12,266,456	\$ 12,200,390	\$ 1,393,421	\$ 1,459,487	\$ -	\$ 1,817,030	\$ -	\$ 1,817,030	80%
<b>2013</b>	\$ 12,594,951	\$ 11,735,362	\$ 292,371	\$ 1,151,960	\$ -	\$ -	\$ -	\$ -	N/A

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

(1) Greater of budgeted or actual operating expenses, exclusive of depreciation.

(2) There were no bond payments due in FY 2013 because all interest was capitalized during construction.

**TABLE 11**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**INMATE BOOKING STATISTICS**  
**Last Ten Fiscal Years**

<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Brunswick	2015	117	41	56
	2014	125	44	62
	2013	140	26	78
<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Dinwiddie	2015	95	39	53
	2014	84	55	49
	2013	85	23	56
<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Mecklenburg	2015	187	44	91
	2014	186	52	94
	2013	179	28	72
<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Other	2015	14	108	18
	2014	12	310	19
	2013	0	0	0

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

**TABLE 12**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND PERIOD NINE YEARS AGO**

<b>Brunswick County</b>				<b>Dinwiddie County</b>				<b>Mecklenburg County</b>			
2015				2015				2015			
Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Rank	Employer	Employees	
1	Brunswick County School Board	250-499	1	Integrity Staffing Solutions	1000 & over	1	Mecklenburg County School Board	1	Mecklenburg County School Board	500-999	
2	Geo Corrections & Detention Inc	250-499	2	Central State Hospital	1000 & over	2	MCV Hospital	2	MCV Hospital	500-999	
3	Southside Virginia Community College	250-499	3	Wal Mart	500-999	3	Global Safety Textiles LLC	3	Global Safety Textiles LLC	250-499	
4	Meherrin River Regional Jail	100-249	4	Amazon Com KYDC Inc	500-999	4	Jones Distribution Corp	4	Jones Distribution Corp	250-499	
5	County of Brunswick	100-249	5	Dinwiddie County School Board	500-999	5	Wal Mart	5	Wal Mart	250-499	
6	Brunswick Academy	50-99	6	Chaparral	250-499	6	Food Lion	6	Food Lion	100-249	
7	Mr. Bults Inc.	50-99	7	Dinwiddie Board of Supervisors	250-499	7	Peebles	7	Peebles	100-249	
8	Envoy of Lawrenceville	50-99	8	Hiram W. Davis Medical Center	100-249	8	Monroe Tree Services Division	8	Monroe Tree Services Division	100-249	
9	Home Recovery	50-99	9	Tindall Concrete Products	100-249	9	County of Mecklenburg	9	County of Mecklenburg	100-249	
10	Melvin L. Davis Oil Company	50-99	10	Humana Insurance Company	100-249	10	Lake Country Area Agency on Aging	10	Lake Country Area Agency on Aging	100-249	
2006				2006				2006			
Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Rank	Employer	Employees	
1	Brunswick County School Board	500-999	1	Southside Virginia Training Center	1000 & over	1	Mecklenburg County School Board	1	Mecklenburg County School Board	1000 & over	
2	Brunswick Correctional Center	250-499	2	Wal Mart	1000 & over	2	Community Memorial Health Center	2	Community Memorial Health Center	500-999	
3	Wackenhut Corrections	250-499	3	Central State Hospital	500-999	3	Peebles	3	Peebles	250-499	
4	Southside Virginia Community College	100-249	4	Dinwiddie County School Board	500-999	4	Mcnaughton Apparel Group Inc	4	Mcnaughton Apparel Group Inc	250-499	
5	Saint Paul's College	100-249	5	Chaparral	250-499	5	Mecklenburg Correctional Center	5	Mecklenburg Correctional Center	250-499	
6	Mr. Bults Inc.	100-249	6	Tindall Concrete Products	100-249	6	Wal Mart	6	Wal Mart	250-499	
7	County of Brunswick	100-249	7	County of Dinwiddie	100-249	7	International Veneer Company	7	International Veneer Company	100-249	
8	Brick & Tile Corporation of Lawrenceville	100-249	8	Hiram W. Davis Medical Center	100-249	8	Penmac Personnel Services	8	Penmac Personnel Services	100-249	
9	Ruxton Health Of Lawrenceville	50-99	9	Iluka Resources	100-249	9	Narricot Industries	9	Narricot Industries	100-249	
10	Brunswick Academy	50-99	10	Philip Morris Products	100-249	10	County of Mecklenburg	10	County of Mecklenburg	100-249	

SOURCE: Virginia Employment Commission.

**TABLE 13  
MEHERRIN RIVER REGIONAL JAIL AUTHORITY  
DEMOGRAPHIC STATISTICS FOR MEMBER JURISDICTIONS  
LAST TEN CALENDAR YEARS**

Calendar Year	Brunswick County		Dinwiddie County		Mecklenburg County	
	Population	Unemployment Rate	Population	Unemployment Rate	Population	Unemployment Rate
2005	17,981	5.80%	26,149	4.20%	32,554	6.20%
2006	18,011	5.20%	26,590	3.30%	32,642	5.30%
2007	17,823	5.00%	27,078	3.50%	32,823	5.00%
2008	17,791	6.10%	27,694	4.50%	32,920	5.70%
2009	17,507	11.60%	27,888	8.90%	32,815	11.50%
2010	17,434	12.10%	28,001	8.00%	32,727	11.70%
2011	17,410	10.70%	28,155	7.20%	32,742	11.00%
2012	17,385	10.70%	28,309	6.80%	32,757	10.10%
2013	17,361	9.10%	28,463	5.90%	32,772	9.20%
2014	17,337	8.20%	28,617	6.40%	32,787	7.70%

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

**SOURCE: Provided by US Census Bureau, LAUS Unit, and Bureau of Labor Statistics.**

**TABLE 14**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY**  
**Last Ten Fiscal Years**

	2015	2014	2013
Civilian	15	14	16
Sworn Officers	127	147	143
Total Employees	142	161	159

**NOTE: Meherrin River Regional Jail opened July 1, 2012.**

**TABLE 15**  
**MEHERRIN RIVER REGIONAL JAIL AUTHORITY**  
**SCHEDULE OF INSURANCE IN FORCE**  
**As of June 30, 2015**

<b>Insurance Coverage</b>	<b>Insurance Company</b>	<b>Expiration Date</b>	<b>Coverage Limit</b>	<b>Deductible</b>
Building & Personal Property	VACO	7/1/2015	As scheduled	\$ 1,000
Electronic Data Processing Equipment	VACO	7/1/2015	\$ 100,000	\$ 1,000
Earthquake/Flood	VACO	7/1/2015	As scheduled	\$ 25,000
Business Auto	VACO	7/1/2015	\$ 2,000,000	\$ 250
Schedule Equipment	VACO	7/1/2015	As scheduled	\$ 1,000
Boiler and Machinery	VACO	7/1/2015	As scheduled	\$ 1,000
Business Interruption and Extra Expense	VACO	7/1/2015	\$ 100,000	N/A
Workers Compensation	VACO	7/1/2015	\$ 1,000,000	N/A
Faithful Performance of Duty	VACO	7/1/2015	\$ 250,000	\$ 250
Line of Duty	VACO	7/1/2015	Statutory Limit	N/A
Bond *1	Division of Risk Management			
Constitutional Officer *1	Commonwealth of Virginia- Division of Risk Management	7/1/2015	\$ 1,000,000	\$ 1,000

N/A – Not Applicable

\*1 – Provided by the Commonwealth of Virginia

## **COMPLIANCE SECTION**

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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**To the Members of  
Meherrin River Regional Jail Authority  
Alberta, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Meherrin River Regional Jail Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements and have issued our report thereon dated October 21, 2015.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Meherrin River 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 Meherrin River Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Meherrin River 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 Meherrin River Regional Jail Authority's financial statements are free of 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, Fawcett, Cox Associates*

Charlottesville, Virginia  
October 21, 2015