

NORTHWESTERN REGIONAL JAIL AUTHORITY

WINCHESTER, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

NORTHWESTERN REGIONAL JAIL AUTHORITY

Winchester, Virginia

Financial Report
Year Ended June 30, 2015

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Letter of Transmittal	i-ii
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-5
<u>Basic Financial Statements:</u>	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to Financial Statements	9-33
<u>Required Supplementary Information:</u>	
Schedule of Authority's Proportionate Share of the Net Pension Liability	34
Schedule of Employer Contributions	35
Notes to Required Supplementary Information	36
<u>Other Supplementary Information:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	37
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis to the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position	38
Schedule of Revenues	39
Schedule of Expenditures	40
Schedule of Per Diem Rates and Per Diem Revenues	41
Demographic Information of the Service Area	42
Authority Inmate Population Statistics	43
Participating Jurisdictions - Other Jail Facilities	44
<u>COMPLIANCE SECTION:</u>	
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 <i>Government Auditing Standards</i>	45-46

- INTRODUCTORY SECTION -

Northwestern Regional Adult Detention Center

James F. Whitley - Superintendent



141 Fort Collier Road, Winchester, VA 22603
(540) 665-6374 (540) 665-1615 FAX

December 7, 2015

Northwestern Regional Jail Authority
Regional Adult Detention Center
141 Fort Collier Road
Winchester, VA 22603

Dear Jail Authority Members:

The Northwestern Regional Adult Detention Center Annual Financial Report for fiscal year 2015 is attached. To the best of our knowledge the data is accurate and accurately represents the financial position of the Regional Adult Detention Center in a fair and objective manner.

Beginning with the June 30, 2002 Comprehensive Financial Statement, Frederick County, Virginia implemented Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB Statement Number 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). The Detention Center complies with the provisions of the Standard as a government entity under Frederick County, the Center's fiscal agent. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE REPORTING ENTITY

The Northwestern Regional Adult Detention Center is a regional governmental agency, with representation from each participating jurisdiction, and is considered to be a jointly governed organization.

ECONOMIC CONDITIONS AND OUTLOOK

The Northwestern Regional Adult Detention Center is located in the Fort Collier Industrial Park, just northwest of Winchester, Virginia. Situated on a 33-acre parcel of land, the Detention Center complex consists of a Main Jail, an Annex Facility and a Community Corrections Center.

Detention Center operations are funded by the four (4) participating jurisdictions based upon their individual utilization of facility beds over the three (3) previous complete years. Local contributions are augmented by state assistance in the area of salaries and inmate per diem. In addition, some fees are collected from inmates and their associated activities.

Detention Center expenses have increased in part to the rising inmate population, causing the Annex building to be re-opened after being closed for a number of years. The opening of that building required an increase in Overtime and the need for more Correctional Officers to operate effectively, causing increases each year in the contributions required of the participating jurisdictions.

FINANCIAL INFORMATION

Frederick County serves as the Jail's Fiscal Agent and the Jail's activities are included in the County's annual appropriated budget. The facility's internal control structure consists of a Captain of Administrative Services, with four accounting personnel, who oversee accounting operations and report financial data to Frederick County, the State of Virginia, and the Regional Jail Authority.

Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are re-appropriated as part of the following year's budget.

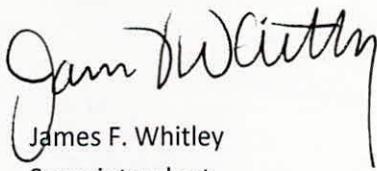
The Captain of Administrative Services oversees Inmate and Commissary Funds, and exercises control of the Inmate Benefit Program. Inmate funds include all monies accrued by inmates for their personal use, i.e. payment of their outside bills; family support; commissary purchases; and their telephone calls.

Commissary funds are profits accrued from inmate commissary purchases and are used to benefit inmates and their activities. These benefits include communal newspapers, television, microwaves, books, law library materials, games, sports equipment, exercise equipment, special rewards, programs designed to train, inform, or educate inmates, and a myriad of other programs.

ACKNOWLEDGEMENTS

The sound financial condition enjoyed by the Regional Detention Center results, in part, from the dedication and commitment of the Detention Center accounting staff, the Frederick County Finance Department, the Regional Jail Authority, and the support of the participating jurisdictions and their governing bodies.

Respectfully,


James F. Whitley
Superintendent

- FINANCIAL SECTION -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension funding on pages 4-5 and 34-36 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, which 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 Northwestern Regional Jail Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Report on Summarized Comparative Information

We have previously audited Northwestern Regional Jail Authority's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 28, 2015

Management's Discussion and Analysis

The following is a discussion and analysis of Northwestern Regional Jail Authority's financial performance for the fiscal year ended June 30, 2015. This information is in conjunction with the Superintendent's transmittal letter and included with the annual audit report.

Financial Highlights:

Accrual Basis Statements

At the end of the fiscal year, Northwestern Regional Jail Authority ("the Jail") reported an ending net position balance of \$9,491,629, a decrease of \$5,640,983 from the prior year.

The Jail holds long-term debt of \$16,570,000; consisting of Revenue Bonds payable in annual installments for 30 years and VRA Bonds payable in annual installments for 15 years. The Jail also has a net pension liability of \$4,899,782.

Modified Accrual and Budgetary Audit Statements

At the end of the fiscal year, the Jail reported an ending fund balance of \$6,856,418, an increase of \$505,387.

Overview:

Comparison of revenues and expenses from fiscal year 2014 to 2015 provide the following information:

Accrual Basis Statements

- Fiscal year 2015 revenues were \$18,972,121; fiscal year 2015 expenses were \$18,202,101, which included \$1,116,583 of depreciation expense, which is a noncash expense.
- Fiscal year 2014 revenues were \$18,059,482; fiscal year 2014 expenses were \$18,274,248, which included \$1,157,950 of depreciation expense, which is a noncash expense.

Modified Accrual and Budgetary Basis Statements

- In fiscal year 2015 the Jail's revenues were \$18,972,121, an increase of \$912,639 from 2014 revenues of \$18,059,482.
- In fiscal year 2015 the Jail's expenditures were \$18,466,734, an increase of \$379,407 from 2014 expenditures of \$18,087,327.
- In fiscal year 2015, the Jail's revenues of \$18,972,121 exceeded expenditures of \$18,466,734 by \$505,387.

Budgetary Overview

In fiscal year 2015 the Jail's revenues of \$18,972,121 exceeded budgeted revenues of \$18,877,170 by \$94,951. The Jail's expenditures of \$18,466,734 were under budgeted expenditures of \$19,815,999 by \$1,349,265.

Additional Analysis

Applying the annual inmate average daily population (ADP) rate to expenditures, an average per annum was derived for fiscal year 2014 and 2015 for comparison. With an ADP of 580 inmates per day in FY14, the per annum cost per inmate was approximately \$30,310. In FY15, the ADP was 638 and the per annum cost decreased to approximately \$28,945.

There was an increase in FY14 in the number of Out of Compliance inmates occupying beds in the Detention Center. Out of Compliance inmates, those state responsible inmates remaining in local custody 90 or more days after sentencing, increased from an average of 37 individuals in FY13 to 52 in FY14.

As occurred in FY14, fluctuations in the jurisdiction's use of the Detention Center over the previous three (3) years created changes in the distribution of locality shares. Frederick County's share of the cost of operations decreased from 44.68% in FY14 to 44.39% in FY15. Clarke County's share decreased from 5.43% to 5.21%, Fauquier County's share increased from 14.39% to 15.28%, and Winchester's share decreased from 35.50% to 35.12%.

The Frederick County Government (fiscal agent) application and method of determining capital assets changed in 2003 to include only those capital equipment expenses exceeding \$5,000. Capital assets, net of accumulated depreciation, decreased from FY14 to FY15 due to depreciation expense. See Note 5 for details.

FY2015 assets	\$25,954,169	FY2014 assets	\$26,997,676
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The long-term liabilities indicated in the audit are bonds payable and reserves held for payment of accrued compensated absences and net pension liability less deferred charge on refunding. These liabilities increased from FY14 to FY15, due to the implementation of GASB 68, which required recognizing a net pension liability in the amount of \$4,899,742. See Note 6 for details.

FY2015 accrual	\$22,449,146	FY2014 accrual	\$18,216,095
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Additional information contained in this report applies to funds held for inmates and canteen operations. Northwestern Regional Jail Authority is the fiduciary custodian of all funds received from inmates or on behalf of inmates. Such funds are deposited and controlled on behalf of the inmate. Accountability methods adhere to generally accepted accounting practices and are subject to annual audit. Practical internal controls are established in the form of clearly detailed policies and procedures that provide a system of checks and balances to protect fiduciary funds from theft or fraud.

- BASIC FINANCIAL STATEMENTS -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Net Position

At June 30, 2015

(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,249,333	\$ 5,907,590
Accounts receivable	195,549	168,074
Due from other governments	802,579	751,122
Total current assets	<u>\$ 7,247,461</u>	<u>\$ 6,826,786</u>
Noncurrent assets:		
Land and construction in progress	\$ 600,375	\$ 600,375
Other capital assets, net of accumulated depreciation	25,353,794	26,397,301
Net capital assets	<u>\$ 25,954,169</u>	<u>\$ 26,997,676</u>
Total assets	<u>\$ 33,201,630</u>	<u>\$ 33,824,462</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 828,535	\$ 874,565
Pension contributions after measurement date	1,448,919	-
Total deferred outflows of resources	<u>\$ 2,277,454</u>	<u>\$ 874,565</u>
Total assets and deferred outflows of resources	<u>\$ 35,479,084</u>	<u>\$ 34,699,027</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 391,043	\$ 475,755
Compensated absences, current portion	283,036	275,100
Bonds payable, current portion	725,000	700,000
Bond premium, current portion	40,298	52,440
Total current liabilities	<u>\$ 1,439,377</u>	<u>\$ 1,503,295</u>
Noncurrent liabilities:		
Compensated absences, less current portion	\$ 1,132,143	\$ 1,100,400
Bonds payable, less current portion	15,845,000	16,570,000
Bond premium, less current portion	352,422	392,720
Net pension liability	4,899,782	-
Total noncurrent liabilities	<u>\$ 22,229,347</u>	<u>\$ 18,063,120</u>
Total liabilities	<u>\$ 23,668,724</u>	<u>\$ 19,566,415</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	\$ 2,318,731	-
NET POSITION		
Net investment in capital assets	\$ 10,062,376	\$ 10,461,374
Unrestricted	(570,747)	4,671,238
Total net position	<u>\$ 9,491,629</u>	<u>\$ 15,132,612</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 35,479,084</u>	<u>\$ 34,699,027</u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Operating revenues:		
Care of prisoners:		
Local and other per diems	\$ 10,958,603	\$ 10,066,834
Commonwealth of Virginia jail costs	1,270,351	1,198,856
Federal	4,610	1,747
Work release	342,189	355,002
Other	685,927	562,272
Total operating revenues	\$ 13,261,680	\$ 12,184,711
Operating expenses:		
Personnel	\$ 9,364,549	\$ 8,972,265
Fringes	3,522,136	3,987,123
Contractual	704,379	964,972
Other charges	2,928,889	2,616,966
Depreciation	1,116,583	1,157,950
Total operating expenses	\$ 17,636,536	\$ 17,699,276
Net operating income (loss)	\$ (4,374,856)	\$ (5,514,565)
Nonoperating revenues (expenses):		
Commonwealth of Virginia State Compensation Board	\$ 5,193,855	\$ 5,340,141
Other State grants	502,012	515,549
Interest income	14,574	19,081
Interest expense and bond issuance costs	(565,565)	(574,972)
Net nonoperating revenues (expenses)	\$ 5,144,876	\$ 5,299,799
Change in net position	\$ 770,020	\$ (214,766)
Net position, beginning of year, as restated	8,721,609	15,347,378
Net position, end of year	\$ 9,491,629	\$ 15,132,612

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from customers	\$ 13,182,748	\$ 12,072,920
Payments to suppliers	(3,717,980)	(3,700,672)
Payments to and for employees	<u>(13,488,415)</u>	<u>(12,816,915)</u>
Net cash flows provided by (used for) operating activities	<u>\$ (4,023,647)</u>	<u>\$ (4,444,667)</u>
Cash flows from noncapital and related financing activities:		
Government grants	<u>\$ 5,695,867</u>	<u>\$ 5,855,690</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (73,075)	\$ (595,661)
Principal payments on debt	(700,000)	(507,500)
Issuance cost for issuance of debt	-	(2,500)
Interest paid on debt	<u>(571,976)</u>	<u>(589,965)</u>
Net cash flows provided by (used for) capital and related financing activities	<u>\$ (1,345,051)</u>	<u>\$ (1,695,626)</u>
Cash flows from investing activities:		
Interest income	<u>\$ 14,574</u>	<u>\$ 19,081</u>
Net increase (decrease) in cash and cash equivalents	\$ 341,743	\$ (265,522)
Cash and cash equivalents, beginning of year	<u>5,907,590</u>	<u>6,173,112</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,249,333</u></u>	<u><u>\$ 5,907,590</u></u>
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:		
Net operating income (loss)	\$ (4,374,856)	\$ (5,514,565)
Adjustments to reconcile net operating income (loss) to cash used in operations:		
Depreciation	1,116,583	1,157,950
Loss on disposal of capital assets	-	7,152
Changes in assets, deferred inflows of resources, and liabilities:		
Accounts receivable and due from other governments	(78,932)	(118,943)
Pension contributions after measurement date	(382)	-
Net pension liability	(2,959,758)	-
Items related to measurement of net pension liability	2,318,731	-
Accounts payable	(84,712)	(118,734)
Compensated absences	<u>39,679</u>	<u>142,473</u>
Net cash flows provided by (used for) operating activities	<u><u>\$ (4,023,647)</u></u>	<u><u>\$ (4,444,667)</u></u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015

NOTE 1 - FINANCIAL REPORTING ENTITY:

Northwestern Regional Jail Authority (“the Authority”) was organized on May 26, 2005 pursuant to provisions of Chapter 3 of Title 53.1 of the Code of Virginia (1950), as amended. The Authority serves as a regional jail for the Counties of Clarke, Fauquier, and Frederick and the City of Winchester. The Authority is considered a jointly governed organization of the participant localities. The Authority is the successor organization to the former Clarke, Fauquier, Frederick, Winchester Regional Adult Detention Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

1. **Basis of Accounting:**

The Authority utilizes 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 incurred, regardless of when the cash flows occur.

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.

2. **Cash and Cash Equivalents:**

Cash and cash equivalents are reported at cost, which approximates market value. Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with maturities of three months or less from the date of acquisition. The Authority maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the Code of Virginia. The Act requires financial institutions to meet specific collateralization requirements.

3. **Investments:**

Investments are reported at fair value.

4. **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. There was no interest capitalized during the year.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

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

4. Capital Assets: (Continued)

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

Building and improvements	40 to 50 years
Equipment	5 to 10 years
Vehicles	5 to 7 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.

5. Compensated Absences:

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. All employees earn the same sick pay regardless of the length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid, by the Authority, their accumulated annual leave up to the maximum limit. Unused sick leave is paid at the date of separation, but is limited to 25% of amounts unused upon termination up to \$2,500.

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of leave recognized as expense is the amount earned during the year.

6. Revenue Recognition:

Revenues for charges for services to participant localities are based on prisoner days for each locality and are recorded when due. Year-end settlements are made with each participant locality. Amounts due are reported as receivables and amounts overpaid are reported as deferred revenues.

The Commonwealth of Virginia provides funding for operations and also provides funding for state prisoners held on a per-diem basis.

7. 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.

8. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for specific accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

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

9. Comparative Totals:

Comparative totals are presented for informational purposes only.

10. 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) until then. The Authority has two items that qualify for reporting in this category. One item is the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

11. 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.

12. 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 government-wide and proprietary fund 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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

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

13. Pensions:

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

NOTE 3 - DEPOSITS AND INVESTMENTS:

Frederick County acts as a fiscal agent and provides accounting for the general operating accounts of the Authority. The Authority's operating cash is included in the pooled cash and investments of Frederick County. The Authority is reported in the Frederick County Financial Report as an agency fund. In addition, the Authority maintains separate bank accounts for Canteen and Inmate funds. During the year, the Authority issued long-term debt and received funds for a jail expansion project. These funds are in the custody of the City of Winchester which is the fiscal agent for the jail expansion project.

Deposits:

At year-end, the carrying value of the Authority's deposits with banks and savings institutions as part of the Frederick County pooled cash and investments was \$4,766,779. Deposits held by the City of Winchester in a State Non-Arbitrage Program account were \$1,482,554. The bank balances are not separately determinable.

At June 30, 2015, all of the Authority's bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the pooled bank balances, no funds were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2015.

Investments:

As described above, the Authority's cash is included in the Frederick County pooled cash and Frederick County utilizes the Local Government Investment Pool, which consists of highly liquid unclassified investments. The amount of the Authority's equity in the pooled investment funds is not separately determinable.

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS:

	<u>Accounts Receivable</u>	<u>Due from Other Governments</u>
Commonwealth of Virginia	\$ -	\$ 802,469
Federal government	-	110
Other	195,549	-
Total	<u>\$ 195,549</u>	<u>\$ 802,579</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 600,375	\$ -	\$ -	\$ 600,375
Total capital assets not being depreciated	<u>\$ 600,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600,375</u>
Capital assets being depreciated:				
Building and improvements	\$ 39,831,073	\$ -	\$ -	\$ 39,831,073
Equipment and vehicles	<u>1,678,863</u>	<u>73,076</u>	<u>16,681</u>	<u>1,735,258</u>
Total capital assets being depreciated	<u>\$ 41,509,936</u>	<u>\$ 73,076</u>	<u>\$ 16,681</u>	<u>\$ 41,566,331</u>
Less: Accumulated depreciation:				
Building and improvements	\$ 14,144,693	\$ 1,040,137	\$ -	\$ 15,184,830
Equipment and vehicles	<u>967,942</u>	<u>76,446</u>	<u>16,681</u>	<u>1,027,707</u>
Total accumulated depreciation	<u>\$ 15,112,635</u>	<u>\$ 1,116,583</u>	<u>\$ 16,681</u>	<u>\$ 16,212,537</u>
Net capital assets being depreciated	<u>\$ 26,397,301</u>	<u>\$ (1,043,507)</u>	<u>\$ -</u>	<u>\$ 25,353,794</u>
Net capital assets	<u><u>\$ 26,997,676</u></u>	<u><u>\$ (1,043,507)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,954,169</u></u>

NOTE 6 - LONG-TERM DEBT:

The following is a summary of long-term debt activity for the year.

Balance payable, beginning of year	\$ 17,270,000
Issuance of long-term debt:	
Revenue and refunding bonds	-
Retirement of long-term debt:	
Revenue bonds	<u>(700,000)</u>
Balance payable, end of year	<u><u>\$ 16,570,000</u></u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 6 - LONG-TERM DEBT: (Continued)

The amounts required to amortize long-term debt are as follows:

Fiscal Year	Revenue Bonds		VRA Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 700,000	\$ 528,025	\$ 25,000	\$ 20,772
2017	715,000	514,025	25,000	19,541
2018	745,000	485,425	30,000	18,206
2019	765,000	463,075	30,000	16,744
2020	790,000	440,125	35,000	15,103
2021-2025	4,365,000	1,790,825	225,000	45,116
2026-2030	4,910,000	1,030,525	60,000	1,387
2031-2034	3,150,000	223,300	-	-
Total	\$ <u>16,140,000</u>	\$ <u>5,475,325</u>	\$ <u>430,000</u>	\$ <u>136,869</u>

Details of long-term debt are as follows:

	Total	Amount Due Within One Year
\$495,000, Virginia Resources Authority Infrastructure and State Moral Obligation Revenue bonds series 2011A, issued May 18, 2011, maturing in various annual installments through October 1, 2025, interest paid semiannually at rates from 2.125% to 5.125%.	\$ 430,000	\$ 25,000
\$16,400,000, Revenue and Refunding bonds series 2013, issued April 9, 2013, maturing in various annual installments through July 1, 2033, interest paid semiannually at rates from 2.00% to 4.00%.	<u>16,140,000</u>	<u>700,000</u>
Total long-term debt	\$ 16,570,000	\$ 725,000
Add: Bond premiums	<u>392,720</u>	<u>40,298</u>
Net long-term debt	\$ <u>16,962,720</u>	\$ <u>765,298</u>

The Authority is in compliance with federal arbitrage regulations.

NOTE 7 - COMPENSATED ABSENCES:

In accordance with GASB accounting principles, the Authority has accrued the liability arising from all compensated absences. The amount of accrued vacation, compensatory time and sick pay totaled \$1,415,179 at June 30, 2015. The estimated current portion of this liability is \$283,036.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the County of Frederick, Virginia Retirement Plan, a cost-sharing multiple employer plan. 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:

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
 At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Plan Description (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 12.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$1,448,919 and \$1,448,537 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the Authority reported a liability of \$4,899,782 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The Authority's proportionate share of the same was calculated using creditable compensation as of June 30, 2014 and 2013 as a basis for allocation. At June 30, 2014 and 2013, the Authority's proportion was 34.57% and 34.69%, respectively.

Actuarial Assumptions - General Employees

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

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Actuarial Assumptions - Public Safety Employees

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

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

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

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Actuarial Assumptions - Public Safety 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 - 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

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NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - 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%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</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%.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability	\$ 11,201,748	\$ 4,899,782	\$ (279,016)

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$807,510. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,318,731
Employer contributions subsequent to the measurement date	1,448,919	-
Total	\$ 1,448,919	\$ 2,318,731

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 8 - PENSION PLAN: (Continued)

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

\$1,448,919 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (579,683)
2017	(579,683)
2018	(579,683)
2019	(579,682)

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

At June 30, 2015 there were no matters of litigation involving the Authority that have an adverse material effect on the financial position of the Authority.

NOTE 10 - INMATE AND OTHER ACCOUNTS:

The Authority maintains accounting for inmate and canteen (commissary) activity funds. The balance of the inmate funds was \$107,594.

The Canteen Fund activity is summarized below:

Cash balance, beginning of year	\$ <u>127,404</u>
Receipts:	
Canteen sales	\$ 1,141,908
Interest	<u>146</u>
Total receipts	\$ <u>1,142,054</u>
Disbursements:	
Inmate programs	\$ <u>1,161,864</u>
Total disbursements	\$ <u>1,161,864</u>
Cash balance, end of year	\$ <u><u>107,594</u></u>

NOTE 11 - OPERATING RESERVE FUND:

As a requirement of the jail expansion bond issue, the Authority is required to fund an operating reserve. At June 30, 2015 this fund totaled \$2,115,297.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2015 (Continued)

NOTE 12 - PROBATION PROGRAM:

The financial activity for the Probation Program is included in the Authority's financial statements. The revenues and expenditures for the Probation Program for Fiscal Year 2015 are summarized below:

Revenues:	
Supervision fees	\$ 40,000
Drug testing fees	565
Miscellaneous	246
Revenue from the Commonwealth	<u>244,616</u>
Total revenues	<u>\$ 285,427</u>
Expenditures:	
Personnel	\$ 179,459
Fringes	63,002
Contractual	2,925
Other charges	<u>23,957</u>
Total expenditures	<u>\$ 269,343</u>
Excess of revenues over expenditures	<u><u>\$ 16,084</u></u>

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

Net position as originally reported at June 30, 2014	\$ 15,132,612
Implementation of GASB 68	<u>(6,411,003)</u>
Net position at June 30, 2014, as restated	<u><u>\$ 8,721,609</u></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.

- REQUIRED SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Authority's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2015

<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability (NPL)</u>	<u>Proportionate Share of the NPL</u>	<u>Covered Employee Payroll</u>	<u>Proportionate Share of the NPL as a Percentage of Covered Payroll</u>	<u>Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability</u>
June 30, 2014	34.5661%	\$ 4,899,782	\$ 8,438,994	58.0612%	80.4669%

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Employer Contributions
Year Ended June 30, 2015

<u>Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Contributions as a % of Covered Employee Payroll</u>
2015	\$ 1,448,919	\$ 1,448,919	\$ -	\$ 8,872,450	16.3305%

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Year Ended June 30, 2015

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

- OTHER SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:				
Care of prisoners:				
Local and other per diems	\$ 11,294,613	\$ 11,294,613	\$ 10,958,603	\$ (336,010)
Commonwealth of Virginia jail costs	1,066,042	1,066,042	1,270,351	204,309
Federal	-	-	4,610	4,610
Work release	405,150	405,150	342,189	(62,961)
Other	<u>622,646</u>	<u>622,646</u>	<u>685,927</u>	<u>63,281</u>
Total charges for services	\$ <u>13,388,451</u>	\$ <u>13,388,451</u>	\$ <u>13,261,680</u>	\$ <u>(126,771)</u>
Operating expenditures:				
Personnel	\$ 9,401,758	\$ 9,571,758	\$ 9,327,136	\$ 244,622
Fringes	4,495,615	4,563,239	4,160,725	402,514
Contractual	1,088,594	983,388	704,378	279,010
Other charges	2,990,876	3,280,839	2,929,444	351,395
Capital outlay	<u>138,800</u>	<u>144,800</u>	<u>73,076</u>	<u>71,724</u>
Total operating expenses	\$ <u>18,115,643</u>	\$ <u>18,544,024</u>	\$ <u>17,194,759</u>	\$ <u>1,349,265</u>
Net operating income (loss)	\$ <u>(4,727,192)</u>	\$ <u>(5,155,573)</u>	\$ <u>(3,933,079)</u>	\$ <u>1,222,494</u>
Nonoperating revenues (expenses):				
Commonwealth of Virginia State				
Compensation Board	\$ 4,973,170	\$ 4,973,170	\$ 5,193,855	\$ 220,685
Other State grants	515,549	515,549	502,012	(13,537)
Interest and investment earnings	-	-	14,574	14,574
Principal payment on long-term debt	(700,000)	(700,000)	(700,000)	-
Interest expense and bond issuance costs	<u>(571,725)</u>	<u>(571,975)</u>	<u>(571,975)</u>	<u>-</u>
Net nonoperating revenues (expenses)	\$ <u>4,216,994</u>	\$ <u>4,216,744</u>	\$ <u>4,438,466</u>	\$ <u>221,722</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(510,198)</u>	\$ <u>(938,829)</u>	\$ <u>505,387</u>	\$ <u>1,444,216</u>
Change in fund balance	\$ (510,198)	\$ (938,829)	\$ 505,387	\$ 1,444,216
Fund balance, beginning of year	<u>510,198</u>	<u>938,829</u>	<u>6,351,031</u>	<u>5,412,202</u>
Fund balance, end of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>6,856,418</u></u>	\$ <u><u>6,856,418</u></u>

This schedule is presented on the budgetary basis of the Authority which is prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Reconciliation of the Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budgetary Basis to the Statement of Net Position and
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Fund balance, end of year	\$	6,856,418
Capital assets, net of accumulated depreciation		25,954,169
Deferred charge on refunding		828,535
Pension contributions after measurement date		1,448,919
Long-term debt		(16,962,720)
Net pension liability		(4,899,782)
Compensated absences		(1,415,179)
Items related to measurement of net pension liability		<u>(2,318,731)</u>
Net position, per Statement of Net Position	\$	<u>9,491,629</u>
Reconciliation of excess (deficiency) of revenues over (under) expenditures to change in net position per the Statement of Revenues, Expenses and Changes in Net Position:		
Change in fund balance	\$	505,387
(Increase) decrease in compensated absences		(39,679)
Principal payment on long-term debt		700,000
(Increase) decrease in net pension liability		2,959,758
(Increase) decrease in deferred inflows of resources		(2,318,731)
Increase (decrease) in deferred outflows of resources		6,793
Purchase of capital assets		73,075
Depreciation expense		<u>(1,116,583)</u>
Change in net position	\$	<u>770,020</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Interest on investments and earnings	\$ 14,574	\$ 19,081
Commonwealth of Virginia jail costs	1,270,351	1,198,856
Commonwealth of Virginia State Compensation Board	5,193,855	5,340,141
Other State grants	502,012	515,549
Prisoner Housing:		
Federal	4,610	1,747
Work release	342,189	355,002
Miscellaneous	7,076	63,572
Telephone commissions	441,567	217,645
Food and staff reimbursements	112,108	131,256
Electronic monitoring fees	84,771	112,274
Drug testing fees	565	1,590
Client supervision fees	39,840	35,893
Employee meals supplement	-	42
Medical and health reimbursement	76,565	69,067
Local Contributions:		
Clarke	566,954	542,879
Frederick	4,830,537	4,467,002
Winchester	3,821,772	3,549,207
Fauquier	1,662,775	1,438,679
Total revenues	\$ 18,972,121	\$ 18,059,482
% of Local Contributions:		
Clarke	5.21%	5.43%
Frederick	44.39%	44.68%
Winchester	35.12%	35.50%
Fauquier	15.28%	14.39%

The schedule has been prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Expenditures
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Personnel	\$ 9,327,136	\$ 8,839,601
Fringes	4,160,725	3,976,998
Professional Health Services	447,671	694,771
Professional Services	83,808	25,889
Repair and Maintenance - Equipment	30,251	100,329
Repair and Maintenance - Vehicle	8,245	8,528
Repair and Maintenance - Buildings and Grounds	24,097	5,154
Repair and Maintenance - Security System	14,290	26,457
Maintenance Service Contracts	64,592	53,119
Printing and Binding	3,442	4,341
Advertising	3,304	2,865
Contractual Services	24,678	43,519
Gasoline	786	859
Electrical Service	296,976	273,224
Heating Service	108,984	114,989
Water and Sewer	185,309	147,020
Postage and Telephone	50,193	57,407
Internet Access	20,859	14,644
Boiler Insurance	4,945	4,921
Fire Insurance	26,918	25,395
Motor Vehicle Insurance	5,600	6,409
Surety Bonds	740	735
General Liability Insurance	7,313	6,585
Line of Duty Program	31,460	32,035
Office Supplies	57,889	88,709
Food Supplies and Food Services	972,397	941,624
Food Service - Small Equipment	7,524	6,595
Agricultural Supplies	3,344	3,120
Medical and Laboratory	677,264	395,377
Laundry, Housekeeping, and Janitorial	109,999	111,344
Linen Supplies	12,720	21,819
Repair and Maintenance Supplies	50,663	54,872
Vehicle and Powered Equipment Supplies	1,089	1,103
Vehicle Tires and Parts	178	198
Vehicle Fuels and Lubricants	11,750	18,348
Police Supplies	37,730	34,196
Uniforms and Wearing Apparel	41,850	33,541
Inmate Uniforms and Wearing Apparel	32,544	37,864
Books and Subscriptions	355	1,461
Other Operating Supplies	32,340	43,829
Travel	86,335	78,081
Travel - Inmate Transports	121	224
Contingency for Maintenance and Repairs	-	700
Dues and Memberships	1,208	1,008
Machinery and Equipment	73,076	8,624
Building Improvements	-	587,038
Lease/Rent of Equipment	13,065	12,280
Other SNAP Disbursements	38,996	39,612
Debt Service Payments		
Principal	700,000	507,500
Interest and Bond Issuance Cost	571,975	592,466
Total expenditures	\$ <u>18,466,734</u>	\$ <u>18,087,327</u>

The schedule has been prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Per Diem Rates and Per Diem Revenues
Last Five Fiscal Years

Per Diem Rates

Fiscal Year Ending June 30,	Non- Participating Jurisdictions (Local)	Non- Participating Jurisdictions (Federal)
2015	\$ 79.32	\$ 79.32
2014	79.32	79.32
2013	79.32	79.32
2012	70.00	79.32
2011	70.00	70.00

Per Diem Revenues

Fiscal Year Ending June 30,	Clarke County	Fauquier County	Frederick County	City of Winchester	Participating Jurisdictions Per Diem Total	Non- Participating Jurisdictions, Including Federal
2015	\$ 566,954	\$ 1,662,775	\$ 4,830,537	\$ 3,821,772	\$ 10,882,038	\$ 2,300
2014	542,879	1,438,679	4,467,002	3,549,207	9,997,767	1,747
2013	465,137	1,334,783	4,200,471	3,473,847	9,474,238	2,193
2012	376,287	1,290,761	3,733,510	3,495,106	8,895,664	30,036
2011	427,776	1,409,816	3,388,829	3,557,480	8,783,901	17,941

NORTHWESTERN REGIONAL JAIL AUTHORITY

Demographic Information of the Service Area

The Authority's service area is spread over the area covered by the Participating Jurisdictions, all of which are located in the northwestern part of Virginia, near Maryland and West Virginia.

The following table shows the total population of the Participating Jurisdictions during the thirty-year period of 1980 to 2010 and the projected population in the year 2020.

Locality	1980	1990	2000	2010	Projected 2020
Clarke County	9,965	12,101	12,652	14,034	15,025
Fauquier County	35,889	48,860	55,139	65,203	74,118
Frederick County	34,150	45,723	59,209	78,305	97,192
City of Winchester	20,217	21,947	23,585	26,203	27,967
Total	100,221	128,631	150,585	183,745	214,302

Sources: Weldon-Cooper Center for Public Service, University of Virginia, for years 1980, 1990, 2000 and 2010.
Virginia Employment Commission for 2020 projections.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Authority Inmate Population Statistics
Last Five Fiscal Years

The tables below show the inmate population statistics for the last five fiscal years. The Authority accepts inmates from non-Participating Jurisdictions (including federal detainees) on a space-available basis.

Prisoner Man-Days

Fiscal Year Ending June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2015	10,420	41,451	97,631	82,132	1,037	43	232,714
2014	7,919	32,592	88,697	76,038	1,397	33	206,676
2013	7,802	36,473	96,705	78,445	2,290	21	221,736
2012	12,708	30,247	93,132	72,225	3,048	18	211,378
2011	12,505	30,039	91,154	71,643	3,327	30	208,698

Average Daily Population (ADP)

Fiscal Year Ending June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2015	29.0	114.0	268.0	225.0	3.0	0.2	639.2
2014	21.7	89.3	243.0	208.3	3.8	0.1	566.2
2013	21.4	99.9	264.9	214.9	6.3	0.1	607.5
2012	34.7	82.8	254.3	197.3	8.3	0.0	577.4
2011	34.3	82.3	249.7	196.3	9.2	0.2	572.0

NORTHWESTERN REGIONAL JAIL AUTHORITY

Participating Jurisdictions - Other Jail Facilities
Last Five Fiscal Years

As described in the Regional Jail Agreement, all of the Participating Jurisdictions, except Fauquier County, are required to commit their respective prisoners to the Authority for housing in the Jail Facilities. Fauquier County sends its prisoners to the Jail Facilities on an as-needed basis. Fauquier County maintains its own jail facilities which have a rated capacity of 56 beds. The average daily inmate population housed in the Fauquier County jail facilities for the last five fiscal years is set out in the table below.

Fauquier County Adult Detention Center

<u>Fiscal Year Ending June 30,</u>	<u>Rated Prisoner Capacity</u>	<u>Average Daily Inmate Population</u>
2015	59	104
2014	56	103
2013	56	95
2012	56	106
2011	56	111

- COMPLIANCE SECTION -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, 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 Northwestern Regional Jail Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Northwestern Regional Jail Authority's basic financial statements and have issued our report thereon dated December 28, 2015.

Internal Control over Financial Reporting

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

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 28, 2015