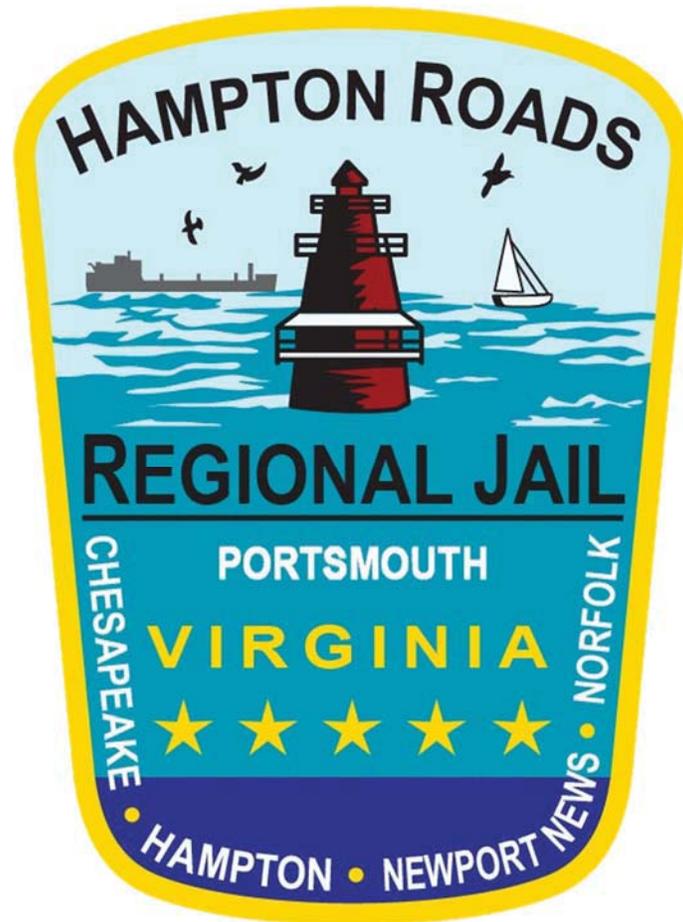


*Hampton Roads
Regional Jail Authority*



Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2015

Hampton Roads Regional Jail Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

2690 Elmhurst Lane
Portsmouth, Virginia 23701-2745

Prepared by the Administration Division

David L. Simons, JD, CJM
Superintendent

Deborah J. Hand
Administration Manager

Deborah A. MacLeod, CPA
Accounting Manager

INTRODUCTORY SECTION

HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Comprehensive Annual Financial Report
Year Ended June 30, 2015**

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

**Comprehensive Annual Financial Report
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HAMPTON ROADS REGIONAL JAIL AUTHORITY

BOARD MEMBERS

Chris Snead, Council Member, Hampton
Alternate: Donnie Tuck, Council Member, Hampton

B. J. Roberts, Sheriff, Hampton
Alternate: Colonel Karen E. Bowden, Undersheriff, Hampton

Mary B. Bunting, City Manager, Hampton
Alternate: Brian DeProfio, Special Projects Manager, Hampton

Robert S. Coleman, Council Member, Newport News
Alternate: Sharon P. Scott, Council Member, Newport News

Gabriel A. Morgan, Sheriff, Newport News, **Chairman**
Alternate: Colonel Eileen Sprinkle, Chief Deputy, Newport News

James M. Bourey, City Manager, Newport News
Alternate: Alan Archer, Assistant City Manager, Newport News

Andrew A. Protogyrou, Council Member, Norfolk
Alternate: Paul R. Riddick, Council Member, Norfolk

Robert J. McCabe, Sheriff, Norfolk
Alternate: Lt. Col. Cindy Borum, Chief of Operations, Norfolk

Marcus Jones, City Manager, Norfolk
Alternate: Betty Meyer, Team Policy Leader, Norfolk

Curtis E. Edmonds, Sr., Council Member, Portsmouth, **Vice Chairman**
Alternate: William E. Moody, Jr., Council Member, Portsmouth

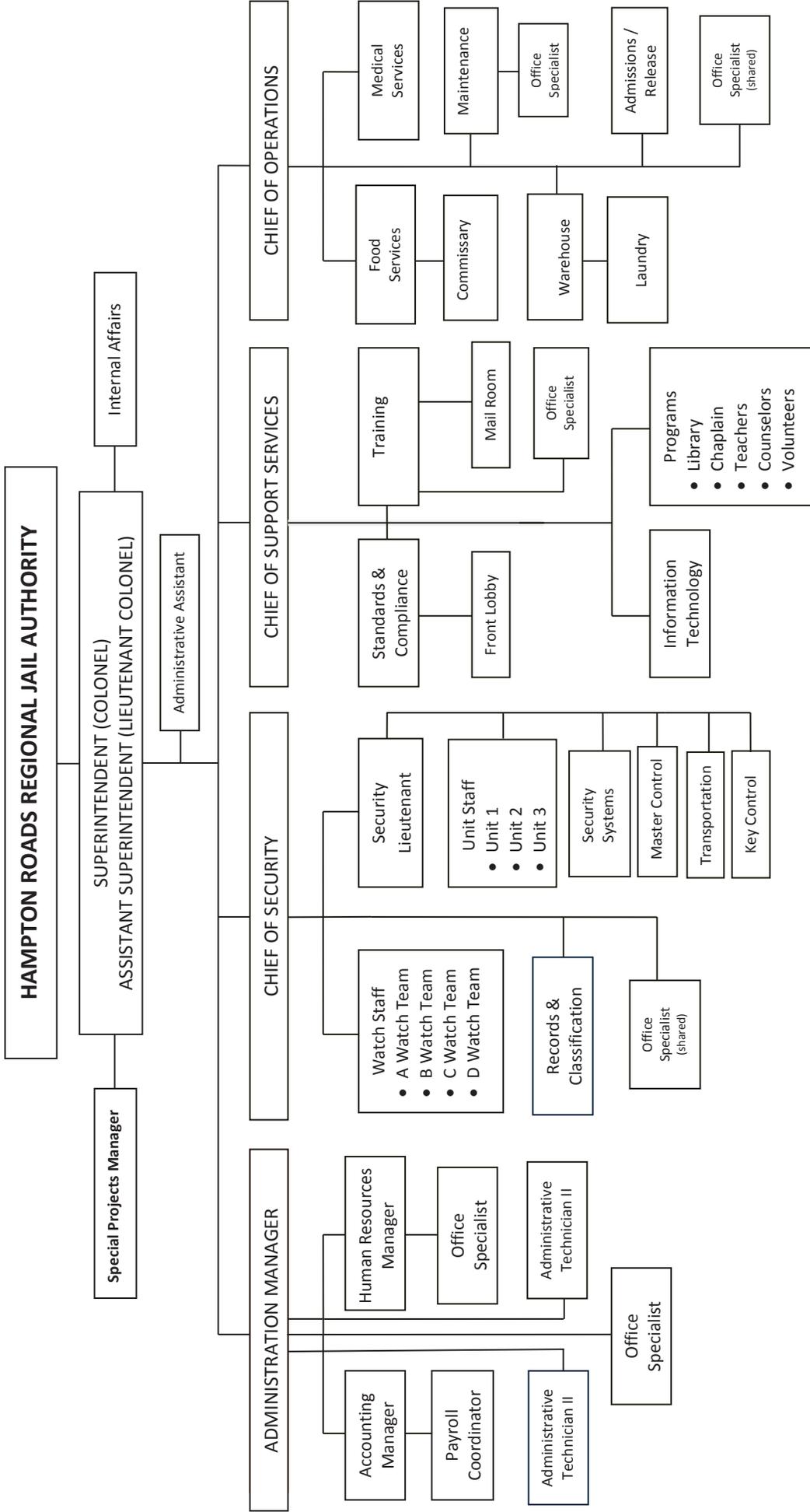
William O. Watson, Sheriff, Portsmouth
Alternate: Lt. Colonel William Rucker, Undersheriff, Portsmouth

Brannon Godfrey, Interim City Manager, Portsmouth
Alternate: TBD, Assistant City Manager, Portsmouth

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HAMPTON ROADS REGIONAL JAIL

ORGANIZATIONAL CHART



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HAMPTON ROADS REGIONAL JAIL AUTHORITY

PRINCIPAL OFFICIALS

David L. Simons, Colonel, JD, CJM	Superintendent
Eugene Taylor, III, Lieutenant Colonel	Assistant Superintendent
Deborah J. Hand	Administration Manager
Taunya D. Hatchett, Major	Special Projects Manager
Felicia M. Cowan, Captain	Chief of Security
Ana G. Kasey, Captain	Support Services
Dan H. Vial, Jr., CISSP	Information Technology Manager
Kathryn V. Crocker, PHR	Human Resources Manager
Deborah A. MacLeod, CPA	Accounting Manager
Idelulia P. Sawyers, CSAC, QMHP	Programs Manager
Thurman D. Barnes, Lieutenant	Watch Commander
Winston T. Bhagirath, Jr., Lieutenant	Watch Commander
Roderick D. Madison, Lieutenant	Watch Commander
Reginald Whitehead, Lieutenant	Watch Commander
Frank T. Ellis, Lieutenant	Chief of Operations
Heriberto Villanueva, Lieutenant	Security
Eric D. Jones, Lieutenant	Training
Tamara L. Everette, Sergeant	Assistant Watch Commander
Timothy M. Gusler, Sergeant	Assistant Watch Commander
Jose`fina Holder, Sergeant	Assistant Watch Commander
Karas J. Mack, Sergeant	Assistant Watch Commander
Michael W. McNeil, Sergeant	Assistant Watch Commander
Tony Nash II, Sergeant	Assistant Watch Commander
Lawrence E. Nichols, Sergeant	Assistant Watch Commander
Steven W. Whitehead, Sergeant	Assistant Watch Commander
Ernest P. Kelly, Sergeant	Transportation
Floyd H. Copeland III, Sergeant	Security Systems
Derrick R. Brown, Sergeant	Unit Manager
Jayford L. Brown, Sergeant	Unit Manager
Mary M. Cheeseboro, Sergeant	Unit Manager
William A. Epperson, Sergeant	Unit Manager
Latoya Jones, Sergeant	Unit Manager
Felix D. Moore, Sergeant	Unit Manager
Stephen T. Phillips, Sergeant	Unit Manager
Pamela L. Ellis, Sergeant	Internal Affairs
Ebony Herelle, Sergeant	Records Supervisor
Cardell Dickerson, Sergeant	Classifications Supervisor
Michael W. Johnson, Sergeant	Maintenance/Warehouse
Danny Rosario, Sergeant	Standards /Compliance
Earl P. Ward, Sergeant	Intake/Release/Property
Natalya Thomas, Contractor Employee	Inmate Medical Services Administrator
Nsekenene Kolongo, M.D., Contractor Employee	Medical Director
Matthew Piro, Contractor Employee	Food Service Director
Iain McKenzie, Contractor Employee	Facility Maintenance Director
Rev. Gene Sayre, Jr., Good News Ministries	Chaplain

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Government Finance Officers Association

Certificate of
Achievement for
Excellence in
Financial Reporting

Presented to

Hampton Roads Regional Jail
Authority Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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February 12, 2016

**Members of the Board
Hampton Roads Regional Jail Authority**

The Comprehensive Annual Financial Report (CAFR) of the Hampton Roads Regional Jail Authority (Authority) for the fiscal year ended June 30, 2015 is submitted herewith in accordance with applicable requirements, including the provisions of the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts, Commonwealth of Virginia as revised July 2015. This report was prepared by the Authority's Administration Division in accordance with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the Authority. We believe the data as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Authority's financial affairs have been included.

GASB requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the Independent Auditors' Report in the financial section.

Profile of the Government

The Authority is an intergovernmental joint venture created by the four original cities of Hampton, Newport News, Norfolk, and Portsmouth. The Authority is considered a stand-alone governmental entity for financial reporting purposes. The financial reporting entity is a single enterprise fund of the Authority. The Authority is designed and operates to accommodate all types of inmates from the member cities' jails including those with special needs and those who require special management. Beginning July 1, 2014, the City of Chesapeake entered into an agreement with the Authority to become a full member upon adoption of the agreement by all five City Councils. This was accomplished by approval of a revised and restated Service Agreement by all five governing bodies, effective August 26, 2014.

Information Useful in Assessing Economic Condition

The Authority's financial and economic outlook is stable. The economic stability of the Authority was based in large part on the contractual obligations of the five member cities to provide and pay for at least 1,000 inmates per day. Chesapeake became a full member August 26, 2014. This has increased the minimum number of inmates per day to 1,000 as of July 1, 2015 and will increase the minimum number to 1,125 by July 1, 2016. Each of the member cities operate their own jails, from which selected inmates are transferred to the Authority. Each of the member cities has a more than ample number of inmates to meet its inmate supply obligations to the Authority.

By resolution, the city councils of the four original member cities, agreed to provide and pay for a minimum of 875 inmates as follows: Hampton-175; Newport News-200; Norfolk-250; and Portsmouth-250. Chesapeake agreed to provide and pay for a minimum of 250 inmates. As a new member, Chesapeake is phasing in the number of inmates housed by the Authority and increasing their inmate population at the rate of 25 per quarter until July 1, 2016. The member cities pay a per diem cost per inmate. Effective July 1, 2015, the current base rate is \$63.00 per inmate per day for member cities, with the exception of the host city, Portsmouth, which pays \$58.08. The four member cities are charged \$40.00 per inmate per day for all inmate days in excess of the contract minimum up to 20% over the contract minimum and the base rate for any additional inmates.

Operating revenues for FY2015 failed to meet the budget by \$254,458. A transfer of \$483,408 from the Capital Repair and Replacement Fund was authorized by the Authority Board. Other revenues including telephone revenues and inmates' commissary commissions were less than budget. The Authority reduced operating expenses by \$269,036 less than budgeted and finished the fiscal year with a favorable operating budget variance of \$14,578.

Long-Range Financial Planning

As part of the annual budget process, a five-year projection model is used to forecast rate adjustments. The model focuses on operating revenues and expenses as well as debt service and investment income. A five-year Capital Improvement Plan is used to forecast planned Capital Repair and Replacement costs.

A Community Based Corrections Plan (C-BCP) and Planning Study was conducted in 2012 to identify architectural changes should any of the member jurisdictions choose to utilize that option. The Board of Corrections (BOC) approved the C-BCP and Planning Study in September 2013 and it is available for use for five years, until September 2017.

Major Initiatives

The Commonwealth of Virginia Board of Corrections continued to grant unconditional certification to the Authority following its triennial inspection in May 2015. The Authority was awarded recognition for 100% compliance with all applicable standards. This certification was originally granted in 1999. Certification inspections are conducted every three years and unannounced Life, Health and Safety (LHS) inspections are conducted annually. The last Life, Health and Safety inspection was conducted in February 2015 and the Authority was in compliance with applicable standards.

The Authority was accredited by the Commission on Accreditation for Corrections and the American Correctional Association (ACA) in January 2001 and re-accredited in 2004, 2007, 2010, 2012 and 2015. In order to receive ACA accreditation, the Regional Jail Authority was required to demonstrate compliance with the ACA's Standards for Adult Local Detention Facilities. These standards are comprehensive and cover all areas of jail operations and administration. The accreditation is awarded for a three-year period and it is necessary to meet the standards on an on-going basis. The Authority received a 100% score on the triennial ACA audit that was conducted in October 2015.

Major Initiatives (Continued)

During November 2014, the Authority was audited for triennial re-accreditation by the National Commission on Correctional Health Care (NCCHC). This accreditation, originally received in June 1999 and reaccredited in 2002, 2005, 2008, 2011 and 2014 is awarded for compliance with NCCHC Standards for Health Services in Jails. The next NCCHC audit is scheduled for November 2017.

Accounting System

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounting system of the Authority is organized and operated on an enterprise fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, liabilities, fund balances, revenues and expenditures. Additional information concerning the Authority's accounting policies is provided in Note 2 of the Notes to Financial Statements.

Enterprise Fund Operations

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, together with deferred outflows and inflows associated with its activities are included on its Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The financial statements are presented using the modified accrual basis of accounting, whereby revenues are recognized when earned, measurable and available. Expenses are recognized when incurred. Operating revenues and expenses are presented in a manner similar to a private business, where costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

Independent Audit

Authority Bylaws require that the financial statements of the Authority be audited annually by a certified public accountant selected by the Authority's Board. An annual audit of the book of accounts, financial records, and transactions of all funds of the Authority has been performed by Robinson, Farmer, Cox, Associates for the fiscal year ended June 30, 2015.

The auditor's report, which includes their opinion on the financial statements of the Authority, is presented in this report on pages 1 and 2.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Hampton Roads Regional Jail Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the sixteenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This report reflects the strong financial policies enacted by the Authority's Board and the active participation of the Board's Finance Committee. The result is an Authority in stable financial position. The Board's support and cooperation in planning and conducting the financial operations of the Authority are appreciated and acknowledged.

Respectfully submitted,



David L. Simons, JD, CJM
Superintendent



Deborah J. Hand
Administration Manager

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

**To the Members of
Hampton Roads Regional Jail Authority
Portsmouth, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hampton Roads 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 12 to the financial statements, in 2015, the Authority adopted new accounting guidance, 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 and OPEB funding on pages 3-7 and 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The budgetary comparison schedules are the responsibility of management and were derived from and relate 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2016, on our consideration of Hampton Roads 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 Hampton Roads Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Fawcett, Cox Associates
Charlottesville, Virginia
February 12, 2016

HAMPTON ROADS REGIONAL JAIL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

- The Authority's net position decreased by approximately \$3.9 million, or 31.7%, due to prior period adjustments necessary for GASB compliance for pension liabilities. The beginning balance was adjusted to reflect this. The Authority's net position increased by \$254,094 as a result of this year's operating and nonoperating financial activities, resulting in a net decrease of approximately \$3.6 million. Operating revenues increased approximately \$5.8 million over FY2014 revenues, while operating expenses increased by \$703,164 or 2.1%. The increase in operating revenues was the result of the addition of a new member jurisdiction. The increase in operating expenditures was due to the increase in the medical contract as well as the addition of two staff positions which increased personal services expenditures.

Using This Annual Report

The Financial Section of the Comprehensive Annual Financial Report consists of Management's Discussion and Analysis and the basic financial statements including notes that explain in more detail some of the information in the financial statements. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements as well as management's examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority's budget and other management tools were used for this analysis.

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer both short and long-range financial information about its activities. The Statement of Net Position includes the nature and amounts of investments in resources (assets) and deferred outflows of resources and obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing the rate of return, evaluation of the capital structure and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses and Changes in Net Position contains all of the current year's revenue and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its per diem charges and other revenues, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the cash receipts and cash payments made by the Authority during the fiscal year. The statement reports cash receipts and cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and non-capital financing activities, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets. The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

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

The Authority's total net position decreased from last year by a net amount of approximately \$3.6 million including the restatement for GASB 68 implementation. Our analysis below focuses on the change in net position and the resulting changes in assets and liabilities. Certain 2014 amounts were restated to reflect the current year presentation.

(in thousands)	2015	2014	Amount Change	% Change
Capital assets	\$ 36,757	\$ 37,079	\$ (322)	(0.9%)
Restricted assets	6,302	7,677	(1,375)	(17.9%)
Current assets	<u>13,359</u>	<u>12,626</u>	<u>733</u>	<u>5.8%</u>
Total assets	<u>\$ 56,418</u>	<u>\$ 57,382</u>	<u>\$ (964)</u>	<u>-1.7%</u>
Deferred outflows of resources	<u>\$ 4,600</u>	<u>\$ 3,777</u>	<u>\$ 823</u>	<u>21.8%</u>
Long-term liabilities	\$ 44,419	\$ 47,612	\$ (3,193)	(6.7%)
Current liabilities	<u>6,264</u>	<u>5,137</u>	<u>1,127</u>	<u>21.9%</u>
Total liabilities	<u>\$ 50,683</u>	<u>\$ 52,749</u>	<u>\$ (2,066)</u>	<u>-3.9%</u>
Deferred inflows of resources	<u>\$ 1,671</u>	<u>\$ -</u>	<u>\$ 1,671</u>	<u>100.0%</u>
Net investment in capital assets	\$ (30)	\$ 309	\$ (339)	(109.7%)
Restricted	4,681	4,568	113	2.5%
Unrestricted	<u>4,013</u>	<u>3,533</u>	<u>480</u>	<u>13.6%</u>
Total net position	<u><u>\$ 8,664</u></u>	<u><u>\$ 8,410</u></u>	<u><u>\$ 254</u></u>	<u><u>3.0%</u></u>

Financial Analysis (Continued)

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

(in thousands)	2015	2014	Amount Change	% Change
Operating revenues				
Commonwealth of Virginia per diems, net	\$ 2,571	\$ 2,458	\$ 113	4.6%
Commonwealth of Virginia reimbursements	9,721	10,043	(322)	(3.2%)
Member per diems	21,924	16,751	5,173	30.9%
ICE per diems	-	42	(42)	(0.0%)
New Member Buy-In	1,000	-	1,000	100.0%
Telephone revenue	357	360	(3)	(0.8%)
Inmates commissary sales commissions	259	221	38	17.2%
Inmates keep fees	107	97	10	10.3%
Employee canteen sales commissions	5	5	-	0.0%
Miscellaneous	18	235	(217)	(92.3%)
Total operating revenues	\$ 35,962	\$ 30,212	\$ 5,750	19.0%
Nonoperating revenues				
Investment income	\$ 21	\$ 47	\$ (26)	(55.3%)
Gain (loss) on disposal of capital assets	3	-	3	0.0%
Total revenues	\$ 35,986	\$ 30,259	\$ 5,727	18.9%
Operating expenses				
Jail operations				
Personal services	\$ 12,223	\$ 11,724	\$ 499	4.3%
Employee benefits	4,756	5,118	(362)	(7.1%)
Medical services	9,187	8,856	331	3.7%
Other purchased services	2,209	2,137	72	3.4%
Other charges	2,341	2,208	133	6.0%
Materials and supplies	579	589	(10)	(1.7%)
Noncapital equipment	103	103	-	0.0%
Inmates commissary	259	218	41	18.8%
Employees canteen	7	7	-	0.0%
Depreciation	2,555	2,556	(1)	(0.0%)
Total operating expenses	\$ 34,219	\$ 33,516	\$ 703	2.1%
Nonoperating expenses				
Interest and fiscal charges	\$ 1,513	\$ 1,542	\$ (29)	(1.9%)
Total expenses	\$ 35,732	\$ 35,058	\$ 674	1.9%
Change in net position	\$ 254	\$ (4,799)	\$ 5,053	(105.3%)
Beginning net position	8,410	17,102	(8,692)	(50.8%)
Ending net position	\$ 8,664	\$ 12,303	\$ (3,639)	(29.6%)
Prior period adjustments	-	(3,893)	3,893	0.0%
Adjusted Ending net position	<u>\$ 8,664</u>	<u>\$ 8,410</u>	<u>\$ 254</u>	<u>0.0%</u>

Certain 2014 numbers were restated to reflect the current year presentation.

Financial Analysis (Continued)

Operating revenues increased by 19.0% in FY2015 compared to FY2014. Member per diems increased \$5.2 million or 30.9% in FY2015. This was primarily due to an increase in the member per diem from \$53 to \$63 and the phase-in of additional inmates from the Authority's new member jurisdiction, the City of Chesapeake. Commonwealth per diems increased approximately 4.6%. Investment income remained low due to the decrease in fair market value of the investments held by the Trustee.

Operating expenses increased 2.1% from FY2014 to FY2015 due primarily to increases in the medical contract and personal services.

There are three categories of net position: Net Investment in Capital Assets, Restricted for Debt Service and Unrestricted. The amounts set aside for Operating Reserve and Capital Repair and Replacement are reported in the combined total of Unrestricted.

Capital Assets and Debt Administration

Capital assets

At the end of 2015, the Authority had \$80 million invested in capital assets comprised of the land, building, furnishings and equipment of the regional jail. Also included are capitalized interest and pre-opening costs representing interest and other costs capitalized during the construction period. Net Capital assets decreased by approximately \$320,930 during the year primarily as a result of depreciation offsetting the security control system upgrade.

The Authority had a balance of \$2,279,725 in work-in-progress related to a security control system upgrade. The Authority received approval for reimbursement of 50%, or \$1,759,780 of the total project amount at the Board of Corrections May, 2015 meeting.

The following table summarizes the Authority's capital assets, net of accumulated depreciation, as of June 30, 2015 and 2014 (in thousands).

	<u>2015</u>	<u>2014</u>
Land	\$ 2,032	\$ 2,032
Work in progress	2,280	194
Buildings and improvements	60,552	60,524
Furnishings and equipment	2,341	2,228
Capitalized interest	9,283	9,283
Pre-opening costs	3,241	3,242
Automotive equipment	<u>757</u>	<u>835</u>
Total capital assets	80,486	78,338
Accumulated depreciation	<u>(43,729)</u>	<u>(41,259)</u>
Net capital assets	<u>\$ 36,757</u>	<u>\$ 37,079</u>

Capital Assets and Debt Administration (Continued)

Capital assets (Continued)

The following table summarizes the changes in capital assets. These changes are presented in a more detailed schedule in Note 4.

	<u>(in thousands)</u>
Balance at July 1, 2014	\$ 37,079
Additions	2,234
Disposals	(85)
Depreciation	<u>(2,471)</u>
Balance at June 30, 2015	<u>\$ 36,757</u>

Debt

At year-end, the Authority had a total par of \$39,345,000 in revenue bonds outstanding.

In March 2013, the Authority issued \$24,700,000 in Series 2013B Taxable Regional Jail Facility Bonds to refinance most of the remaining portion of the Series 2004 Refunding Revenue Bonds. As this is a second refunding of a portion of the Series 1996 Bonds, they are taxable. From this transaction, the Authority also issued \$3,345,000 in Series 2013A Tax-Exempt (new money) Revenue Bonds for the specific purpose of capital improvements. Additional information on the bonds is contained in Note 5.

In May, 2015, the Authority issued \$13,005,000 in Series 2015 Refunding Revenue Bonds through the Virginia Resources Authority Virginia Pooled Financing Program. The proceeds from the sale were used to defease the 2025 through 2028 maturities of the Series 2009 Bonds. This is an advance refunding. The funds will be held in escrow until the VRA-level bonds can be called November 1, 2019.

Contacting the Authority's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information regarding the Authority, contact the Administration Manager at 2690 Elmhurst Lane, Portsmouth, Virginia 23701.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 9,094,079
Investments	126,818
Accounts receivable	10,504
Accrued interest receivable	24,093
Due from other governments	3,639,131
Inventories of supplies	192,001
Prepaid expenses	9,198
Cash held for inmate trust-restricted	262,986
Total current assets	<u>\$ 13,358,810</u>
Long-term assets:	
Restricted assets:	
Cash held for capital project	\$ 1,621,250
Cash held by trustee	761,847
Investments held by trustee	3,918,774
Total restricted assets	<u>\$ 6,301,871</u>
Capital assets:	
Land	\$ 2,031,926
Work in progress	2,279,725
Buildings and improvements	60,551,664
Capitalized interest	9,282,649
Pre-opening costs	3,242,516
Furnishings and equipment	2,341,105
Automotive equipment	756,835
Subtotal	<u>\$ 80,486,420</u>
Less - accumulated depreciation	<u>(43,728,849)</u>
Capital assets, net	<u>\$ 36,757,571</u>
Total long-term assets	<u>\$ 43,059,442</u>
Total assets	<u>\$ 56,418,252</u>
Deferred outflows of resources:	
Deferred amounts on 2015A refunding of 2009 bonds	\$ 1,464,974
Deferred amounts on 2013B refunding of 2004 bonds (taxable)	1,503,920
Deferred amounts related to pension with VRS	1,631,515
Total deferred outflows of resources	<u>\$ 4,600,409</u>
Total assets and deferred outflows of resources	<u><u>\$ 61,018,661</u></u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Net Position
June 30, 2015 (Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:	
Accounts payable	\$ 2,279,846
Accrued salaries	333,601
Accrued construction retainage	101,480
Accrued interest	50,954
Unearned revenue	211,609
Compensated absences - current	826,191
Bonds payable - current	2,410,000
Cash held for inmate trust	51,024
Total current liabilities	<u>\$ 6,264,705</u>
Long-term liabilities:	
Compensated absences	\$ 697,194
Accrued OPEB obligation	1,286,683
Net pension liability	3,381,646
Bonds payable, net of issuance premiums	39,053,245
Total long-term liabilities	<u>\$ 44,418,768</u>
Total liabilities	<u>\$ 50,683,473</u>
Deferred inflows of resources:	
Deferred amounts related to pension with VRS	<u>\$ 1,671,134</u>
Net position:	
Net investment in capital assets	\$ (29,743)
Restricted for:	
Debt service reserve	4,680,621
Unrestricted	<u>4,013,176</u>
Total net position	<u>\$ 8,664,054</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 61,018,661</u>

The accompanying notes are an integral part of these financial statements.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
Fiscal Year Ended June 30, 2015

Operating revenues:	
Commonwealth of Virginia per diems, net of recoveries	\$ 2,571,432
Commonwealth of Virginia reimbursements	9,720,524
Member per diems	21,924,385
New Member Buy-In	1,000,000
Telephone revenue	356,604
Inmates commissary sales commissions	258,860
Inmates keep fees	106,881
Employees canteen sales commissions	5,295
Miscellaneous revenues	18,234
	<u> </u>
Total operating revenues	\$ <u>35,962,215</u>
Operating expenses:	
Jail operations:	
Personal services	\$ 12,223,582
Employee benefits	4,756,240
Medical services	9,186,936
Other purchased services	2,209,057
Other charges	2,340,737
Materials and supplies	579,516
Noncapital equipment	102,596
Inmates commissary	258,860
Employees canteen	6,612
Depreciation and amortization	2,554,786
	<u> </u>
Total operating expenses	\$ <u>34,218,922</u>
Operating income	\$ <u>1,743,293</u>
Nonoperating revenues (expenses)	
Investment income	\$ 20,859
Gain on disposal of capital assets	2,780
Issuance costs	(133,713)
Interest and fiscal charges	(1,379,125)
	<u> </u>
Total nonoperating revenues (expenses)	\$ <u>(1,489,199)</u>
Change in net position	\$ 254,094
Total net position - beginning of year, as adjusted	\$ <u>8,409,960</u>
Total net position - end of year	\$ <u><u>8,664,054</u></u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Fiscal Year Ended June 30, 2015

Cash flows from operating activities:	
Receipts from clients	\$ 34,971,356
Payments to suppliers	(14,395,422)
Payments to employees	(17,443,240)
Other operating revenues	704,821
Other payments	(285,967)
Net cash provided by operating activities	<u>\$ 3,551,548</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (148,078)
Acquisition of capital assets - work in progress	(1,844,088)
Repayment of debt	(1,705,000)
Refunding escrow deposits	(14,906,097)
2015A bonds issued	13,005,000
Premium on issuance	2,034,810
Issuance costs	(133,713)
Interest and fiscal charges paid	(1,362,148)
Proceeds on disposal of assets	4,700
Net cash used for capital and related financing activities	<u>\$ (5,054,614)</u>
Cash flows from investing activities:	
Interest received	\$ 194,241
Cash prepaid to Trustee for interest on Bonds	654,173
Cash held by Trustee in restricted cash	107,674
Reinvestment of interest received Debt Service Reserve Fund	(192,751)
Reinvestment of interest received on other investments	(1,490)
Net cash provided by investing activities	<u>\$ 761,847</u>
Net decrease in cash and cash equivalents	(741,219)
Cash and cash equivalents at beginning of year	<u>12,481,381</u>
Cash and cash equivalents at end of year	<u>\$ 11,740,162</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 1,743,293
Adjustments to reconcile operating income to cash used for operating activities:	
Depreciation and amortization	\$ 2,554,786
Change in operating assets and deferred outflows of resources - pensions:	
Accounts receivable	(1,862)
Due from other governments	(244,985)
Inventories of supplies	(18,799)
Prepaid expenses	(6,118)
Deferred outflows of resources - pension with VRS	(174,113)
Change in operating liabilities and deferred outflows of resources - pensions:	
Accounts payable	48,337
Accrued salaries	135,351
Compensated balances	(17,423)
OPEB obligation	239,029
Net pension liability	(2,317,396)
Deferred inflows of resources - pension with VRS	1,671,134
Unearned revenues	(39,191)
Inmates' account balances	(20,495)
Total adjustments	<u>\$ 1,808,255</u>
Net cash provided by operating activities	<u>\$ 3,551,548</u>
Noncash investing activities:	
Decrease in fair value of investments - Debt Service Reserve Fund	<u>\$ 173,382</u>
Noncash capital and related financing activities:	
Change in of issuance premiums (including amortization)	\$ (745,955)
Change in deferred outflows of resources (losses on refundings)	998,068
Acquisition of assets on account (contracts and retainage payable)	242,081
Net change from noncash capital and related financing activities	<u>\$ 252,113</u>

The accompanying notes are an integral part of these financial statements.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015

Note 1–Description of the Reporting Entity:

The Hampton Roads Regional Jail Authority (Authority) is a public corporate instrumentality of the Commonwealth of Virginia, created as of December 14, 1993, by the cities of Hampton, Newport News, Norfolk and Portsmouth, as authorized by Title 53.1, Chapter 3, Section 53.1-95.2 *et seq.*, *Code of Virginia*, (1950) as amended. Beginning July 1, 2014, the City of Chesapeake entered into an agreement with the Authority to become a full member upon adoption of the agreement by all five city councils. This was accomplished by approval of a revised and restated Service Agreement by all five governing bodies, effective August 26, 2014. The Authority is governed by a fifteen-member board, consisting of three members from each city, namely, the sheriff, the city manager and one member of city council (an alternate to each board member may be appointed). The Authority is an intergovernmental joint venture and it meets the definition of a stand-alone governmental entity for financial reporting in accordance with Governmental Accounting Standards Board (GASB) Accounting Standards Codifications (ASC) 2100, *Defining the Financial Reporting Entity*. The purpose of the Authority is to develop, construct, equip, maintain and operate a regional jail. No one locality contributes more than 50 percent of the Authority's funding or has responsibility over its operations.

Hampton Roads Regional Jail Authority opened on March 16, 1998. The regional jail is designed to accommodate both pre-trial and sentenced medium-maximum security male, female and certified juvenile inmates, inmates with special needs or those who require special management, and other offenders who would otherwise be incarcerated in the cities' jails. The facility provides separate inmate housing areas of a manageable size, which are under continuous staff supervision and control. This design enables a staff efficient operation with a mix of uniformed, civilian and contract personnel totaling approximately 350 full-time positions.

Construction of the 875-bed regional jail facility on a 38-acre site located at 2690 Elmhurst Lane, Portsmouth, Virginia was completed in December 1998. The Virginia Board of Corrections approved and paid state reimbursement for 50% of eligible construction costs in the amount of \$31,094,207, plus applicable interest.

Note 2–Summary of Significant Accounting Policies:

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Basis of Accounting

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with generally accepted accounting principles. The preparation of the Authority's financial statements is governed by the guidance of the Governmental Accounting Standards Board (GASB). These statements are prepared on an enterprise fund basis and present the Authority's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the public on a continuing basis are financed or recovered primarily through user charges.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

Basis of Accounting (Continued)

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or long-term, and deferred outflows and inflows of resources associated with the regional jail's activities are included on its Statement of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. However, inmate activity is recognized on a cash basis. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired.

Inventories

The inventories reflected in the financial statements consist principally of materials and supplies held for future consumption and are valued at cost using the first-in, first-out (FIFO) basis.

Budget

The Authority operates in accordance with an annual budget, prepared on a modified accrual basis, which is adopted by the Authority for each fiscal year. The formal level of budgetary control is at the object class level, i.e. category level; however, management control is exercised at the sub-object level. The Superintendent may transfer amounts within categories. Transfers between categories and additions to the budget must be approved by the Authority's Board. All unobligated operating budget items lapse at the end of the fiscal year.

Investments

Investments, which consist primarily of U.S. government obligations including agencies, are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses and disclosures of contingent assets and liabilities reported for the period. Accordingly, actual results could differ from those estimates and assumptions.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 2–Summary of Significant Accounting Policies: (Continued)

Capital Assets

Capital assets purchased or constructed are stated at cost, including interest cost on funds borrowed to finance the construction of major capital items. The capitalization threshold is \$5,000. Capital assets are depreciated using the straight- line method with a half-year of depreciation taken for additions and disposals over the following estimated useful lives:

Buildings and improvements	30 years
Capitalized interest	30 years
Pre-opening costs	30 years
Furnishings and equipment	5-15 years
Automotive equipment	5 years

Depreciation recognized on capital assets is charged as an expense against operations.

Deferred Inflows and Outflows 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 types of items that qualify for reporting in this category. The first type is the deferred charges on refunding reported in the statement net position. Deferred charges on refunding result 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 new debt issue or the refunded 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 this item, reference the pension note.

In addition to liabilities, the statement of financial position may 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 type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, 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.

Revenue Recognition

Operating revenues are recognized as revenue when earned, measurable and available. Per diem charges and reimbursements from the Commonwealth of Virginia are billed monthly. Unbilled revenues through June 30 of each fiscal year are accrued at year-end.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 2—Summary of Significant Accounting Policies: (Continued)

Operating and Nonoperating Revenue and Expenses Recognition

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with the Authority's principal service of operating a regional jail. The majority of operating revenues are from jail operations, but other associated miscellaneous services and charges are also included. Revenues and expenses not meeting the operating definition are reported as nonoperating. These nonoperating revenues and expenses consist mainly of investment income and interest expense.

Employee Benefits

All employees earn annual leave for each full month of employment. The amount of leave earned is based on the employee's years of service and is accrued and expensed as employees earn the right to these benefits. The maximum annual leave an employee may accumulate at year-end is 480 hours. If an employee gives a two week notice prior to terminating employment and leaves in good standing, the employee has the right to be paid up to the maximum of 480 hours as terminal leave.

In accordance with the provisions of the Fair Labor Standards Act, non-exempt employees may accumulate compensatory time in lieu of being paid overtime on a current basis. The amount of compensatory time is accrued and expensed as employees earn the time. Employees will be paid for their accumulated compensatory time when they terminate employment.

Pensions

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

Bonds

Bonds payable are reported net of the applicable bond premium or discount. Premiums and losses on bond refundings are deferred and amortized over the life of the bonds. This method of amortization approximates the effective interest method.

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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 2–Summary of Significant Accounting Policies: (Concluded)

Net Position Flow Assumption

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

Reclassification

Certain amounts in previously issued financial statements have been restated to conform to the current year's classifications.

Note 3–Deposits and Investments:

Deposits

At year-end, the carrying amount of the Authority's deposits with banks and savings institutions was \$9,357,065 and the bank balance was \$9,619,052. All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et. Seq. of the *Code of Virginia* (1950), as amended, or covered by The Federal Deposit Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral levels ranging from 50%-130% of the deposit balances in excess of FDIC coverage. The collateral instruments must be held by a third-party custodian for the benefit of the Commonwealth of Virginia. Pursuant to Virginia Code qualified public depositories have the option to collateralize public deposits at an individually assigned level ranging between 50% - 100% on a cross-collateralized basis (Pooled Method) or can Opt-out of the cross-collateralization (Dedicated Method) provision, by pledging collateral instruments with an individually assigned value between 105% - 130% and submitting weekly reports to the State Treasury Board. In either case 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. SunTrust Bank selected the Dedicated Method of collateralization and has a current collateral level of 110% pursuant to the guidelines.

Investment Policy

In accordance with the Code of Virginia (1950), as amended, and other applicable laws, and regulations, the Authority's investment policy (policy) permits investments in United States government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, "prime quality" commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the policy and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

The policy establishes limitations on the holdings in "prime quality" commercial paper and "high quality" corporate notes. Not more than thirty-five percent (35%) of the portfolio may be invested in commercial paper and corporate notes at any time, and not more than five percent (5%) may be invested in commercial paper of any one issuing corporation.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 3—Deposits and Investments: (Concluded)

Investment Policy: (Continued)

In accordance with the Authority’s Master Bond Indenture, the required Debt Service Reserve Fund decreased to \$3,868,674 and is invested in U.S. Treasury notes.

Credit Risk

As required by state statute, the policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s or Fitch Investors Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

As of June 30, 2015, 3% was invested in “AAAm” rated money market funds. The remaining 97% was invested in obligations guaranteed by the U.S. Government. All credit ratings presented in this paragraph are Standard & Poor’s ratings.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority’s policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase. The average maturity of the investment portfolio may not exceed 3 years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

As of June 30, 2015, the fair values and weighted average maturity of the Authority’s investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>
Virginia LGIP	\$ 126,818	0.0027
U.S. Treasury bond	<u>3,918,774</u>	0.9452
Total Investments	<u>\$ 4,045,592</u>	
Portfolio weighted average maturity		0.9158

*Weighted average maturity in years.

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 4—Capital Assets:

A summary of changes in capital assets follows:

	Balance			Balance
	July 1, 2014	Additions	Deletions	June 30, 2015
<u>Non-depreciable Capital Assets</u>				
Land	\$ 2,031,926	\$ -	\$ -	\$ 2,031,926
Work in progress	193,556	2,086,169	-	2,279,725
Total non-depreciable capital assets	<u>\$ 2,225,482</u>	<u>\$ 2,086,169</u>	<u>\$ -</u>	<u>\$ 4,311,651</u>
<u>Depreciable Capital Assets</u>				
Buildings and improvements	\$ 60,524,021	\$ 27,643	\$ -	\$ 60,551,664
Capitalized interest	9,282,649	-	-	9,282,649
Pre-opening costs	3,242,516	-	-	3,242,516
Furnishings and equipment	2,227,702	120,435	(7,032)	2,341,105
Automotive equipment	835,303	-	(78,468)	756,835
Total depreciable capital assets	<u>\$ 76,112,191</u>	<u>\$ 148,078</u>	<u>\$ (85,500)</u>	<u>\$ 76,174,769</u>
Less accumulated depreciation				
Buildings and improvements	\$ 32,033,876	\$ 2,024,631	\$ -	\$ 34,058,507
Capitalized interest	5,007,617	309,112	-	5,316,729
Pre-opening costs	1,743,182	107,976	-	1,851,158
Furnishings and equipment	1,942,896	82,074	(6,642)	2,018,328
Automotive equipment	531,602	30,993	(78,468)	484,127
Accumulated depreciation	<u>\$ 41,259,173</u>	<u>\$ 2,554,786</u>	<u>\$ (85,110)</u>	<u>\$ 43,728,849</u>
Total depreciable capital assets, net	<u>\$ 34,853,018</u>	<u>\$ (2,406,708)</u>	<u>\$ (390)</u>	<u>\$ 32,445,920</u>
Capital assets, net	<u><u>\$ 37,078,500</u></u>	<u><u>\$ (320,539)</u></u>	<u><u>\$ (390)</u></u>	<u><u>\$ 36,757,571</u></u>

Capitalized interest consists of bond issuance expenditures and interest expenditures incurred prior to the opening of the regional jail. Pre-opening costs consists of administrative expenditures and materials and supplies incurred prior to the opening of the regional jail. Related to this upgrade, the Authority has an outstanding contract in the amount of approximately \$1,480,720 at year-end.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 5—Bonds Payable:

On May 28, 2015, the Authority issued \$13,005,000 of Series 2015 Refunding Revenue Bonds through the Virginia Resources Authority Virginia Pooled Financing Program with a true interest cost of 2.948804% for an advance refund of the remaining Series 2009 bonds in the amount of \$12,975,000. The refunding was undertaken to reduce total future debt payments. The transaction resulted in an annual cash flow savings ranging from \$45,077 to \$48,465. The refunding bonds sold at a premium of \$2,034,810 which is being amortized over the refunded debt's life which is the same as the life of the new debt. The loss on refunding of \$1,464,974 has been deferred and is being amortized over the life of the debt. The Series 2015 Refunding Revenue Bonds were not issued as tax-exempt bonds and are not subject to arbitrage.

On March 27, 2013 the Authority issued \$3,345,000 of Series 2013A Tax-Exempt Revenue Bonds. The proceeds are to be used to fund new money projects for jail facility improvements. Also, on March 27, 2013 the Authority issued \$24,700,000 Refunding Revenue Bonds, Taxable Series 2013B. The Series 2013B bonds generated net present value savings of \$2,049,823 or 8.9% of the refunded bonds. The proceeds of the 2013B Bonds were used to refund a portion of the outstanding principal balance of the Authority's Revenue Bonds, Series 2004. The remaining principle balance of the Series 2004 Bonds as of March 27, 2013 was \$3,430,000. The True Interest Cost of the 2013A Tax-Exempt Revenue Bonds is 2.35% and the True Interest Cost of the 2013B Refunding Revenue Bonds is 2.61%. The bonds sold at a premium of \$108,338 which has been deferred and is being amortized over the life of the new debt. The loss on refunding of \$1,952,269 has been deferred and is being amortized over the life of the refunded debt. The Series 2013B Taxable Refunding Revenue Bonds are federally taxable and feature a Make-Whole Call provision. The Authority has agreed to comply with the timely payment of any arbitrage rebate amounts with respect to the Series 2013A Bonds. Arbitrage was calculated on the Series 2013A bonds and no amount due at this time.

With the Series 2009 Bond now fully refunded, the Authority has three Series of Bonds Outstanding, Series 2013A Bonds, Series 2013B Bonds and the Series 2015 Bonds for a total outstanding par of \$39,345,000.

Following is a summary of changes in bonds payable for the year ended June 30, 2015.

	Balance			Balance	Amounts
	July 1, 2014	Additions	Deletions	June 30, 2015	Due Within
					One Year
Series 2009	\$ 12,975,000	\$ -	\$ 12,975,000	\$ -	\$ -
Series 2013A	3,345,000	-	205,000	3,140,000	210,000
Series 2013B	24,700,000	-	1,500,000	23,200,000	2,150,000
Series 2015A	-	13,005,000	-	13,005,000	50,000
Subtotal	<u>\$ 41,020,000</u>	<u>\$ 13,005,000</u>	<u>\$ 14,680,000</u>	<u>\$ 39,345,000</u>	<u>\$ 2,410,000</u>
Issuance Premiums	<u>\$ 829,390</u>	<u>\$ 2,034,810</u>	<u>\$ 745,955</u>	<u>\$ 2,118,245</u>	<u>\$ -</u>
Total	<u><u>\$ 41,849,390</u></u>	<u><u>\$ 15,039,810</u></u>	<u><u>\$ 15,425,955</u></u>	<u><u>\$ 41,463,245</u></u>	<u><u>\$ 2,410,000</u></u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 5–Bonds Payable: (Concluded)

The annual requirements to amortize to maturity all long-term debt with specified maturities that is outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 2,410,000	\$ 1,184,394	\$ 3,594,394
2017	2,665,000	1,199,268	3,864,268
2018	2,710,000	1,158,673	3,868,673
2019	2,755,000	1,109,909	3,864,909
2020	2,815,000	1,052,329	3,867,329
2021-25	12,260,000	4,079,222	16,339,222
2026-29	13,730,000	1,243,795	14,973,795
	<u>\$ 39,345,000</u>	<u>\$ 11,027,590</u>	<u>\$ 50,372,590</u>

The Authority was in compliance with all significant financial covenants in the bond indentures at June 30, 2015. The Revenue Covenant requires that net revenue must be 1.10 times the senior debt service for the fiscal year. The Authority has ample cash reserves to meet the debt service requirements and has made all required debt service payments timely. For FY2015 the Authority’s net revenue was 2.54 times the senior debt service.

Note 6–Compensated Absences:

The liability for vested annual and compensatory leave at June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Annual leave	\$ 1,411,103	\$ 762,327	(779,042)	\$ 1,394,388	\$ 697,194
Compensatory time	<u>129,704</u>	<u>339,985</u>	<u>(340,692)</u>	<u>128,997</u>	<u>128,997</u>
Total compensated absences	<u>\$ 1,540,807</u>	<u>\$ 1,102,312</u>	<u>\$ (1,119,734)</u>	<u>\$ 1,523,385</u>	<u>\$ 826,191</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Hampton Roads Regional Jail Authority are automatically covered by VRS Retirement Plan upon employment. This agent multiple-employer 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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7–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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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> <p><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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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.)</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. <i>The Hampton Roads Regional Jail elected the 1.70% multiplier.</i></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 Defined Benefit Component: 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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility</p> <p>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>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p><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> <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>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>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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>Eligibility (Cont.)</u></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><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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Eligibility (Cont.)</u></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>Eligibility (Cont.)</u></p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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></p> <ul style="list-style-type: none"> • 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>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 7—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	40
Inactive members:	
Vested inactive members	27
Non-vested inactive members	125
Inactive members active elsewhere in VRS	<u>99</u>
Total inactive members	251
Active members	<u>269</u>
Total covered employees	<u><u>560</u></u>

Contributions

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

The Hampton Roads Regional Jail Authority's contractually required contribution rate for the year ended June 30, 2015 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2014.

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 Hampton Roads Regional Jail Authority were \$1,631,515 and \$1,793,708 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The Hampton Roads Regional Jail 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, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and roll-forward to the measurement date of December 3, 2014.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees

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

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

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

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

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

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 7—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 through June 30, 2014. 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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

Note 7—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 Hampton Roads Regional Jail Authority Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 28,549,587	\$ 22,850,545	\$ 5,699,042
Changes for the year:			
Service cost	\$ 1,810,330	\$ -	\$ 1,810,330
Interest	1,978,110	-	1,978,110
Contributions - employer	-	1,805,628	(1,805,628)
Contributions - employee	-	567,988	(567,988)
Net investment income	-	3,750,530	(3,750,530)
Benefit payments, including refunds of employee contributions	(581,740)	(581,740)	-
Administrative expenses	-	(18,507)	18,507
Other changes	-	197	(197)
Net changes	<u>\$ 3,206,700</u>	<u>\$ 5,524,096</u>	<u>\$ (2,317,396)</u>
Balances at June 30, 2014	<u>\$ 31,756,287</u>	<u>\$ 28,374,641</u>	<u>\$ 3,381,646</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 7—Pension Plan: (Concluded)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	Rate		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Hampton Roads Regional Jail Authority Net Pension Liability (Asset)	8,321,952	3,381,646	(688,368)

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

For the year ended June 30, 2015, the Hampton Roads Regional Jail Authority recognized pension expense of \$1,159,366. At June 30, 2015, the Hampton Roads Regional Jail Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,671,134
Employer contributions subsequent to the measurement date	<u>1,631,515</u>	<u>-</u>
Total	<u>\$ 1,631,515</u>	<u>\$ 1,671,134</u>

\$1,631,515 reported as deferred outflows of resources related to pensions resulting from the Hampton Roads Regional Jail Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (417,783)
2017	(417,783)
2018	(417,783)
2019	(417,785)
Thereafter	-

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB):

A. Plan Description

The Authority provides post-retirement health care benefits as a single employer administered through The Local Choice, an agent multi-employer health plan. The Authority Board is responsible for establishing and amending plan benefits and the funding policy.

B. Eligibility

Participants in the Hampton Roads Regional Jail Authority must meet the eligibility requirements based on service earned with the Authority to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are eligible for the health benefits through COBRA only. Participants must meet one of the following requirements to be eligible for health benefits:

- Attained the age of 55 with 5 years of service.
- Attained the age of 50 with 10 years of service.

In addition, employees must meet one of the following requirements to be eligible for retirement through Virginia Retirement System.

General Employees Prior Plan – All Plan 1 Members vested as of January 1, 2013:

- Attain age 50 with at least 10 years of service with VRS for a reduced pension benefit, or
- Attain age 55 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 65 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 30 years of service with VRS for an unreduced pension benefit.

General Employees Current Plan – All Plan 1 Members not vested as of January 1, 2013 and Members hired on or after July 1, 2010 (Plan 2):

- Attain age 60 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain 90 points (age plus service) with VRS for an unreduced pension benefit, or
- Attain Social Security Normal Retirement Age with at least 5 years of service with VRS for an unreduced pension benefit.

Public Safety Employees:

- Attain age 50 with at least 5 years of service with VRS for a reduced pension benefit, or
- Attain age 60 with at least 5 years of service with VRS for an unreduced pension benefit, or
- Attain age 50 with at least 25 years of service with VRS for an unreduced pension benefit.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB):

C. Health Plan Benefits

Coverage is for the retiree and eligible spouses/dependents. The monthly premiums below are for the year beginning July 1, 2015. Dental and vision are included with both the Key Advantage Expanded (PPO) and the Key Advantage 500 (PPO) medical option premiums. Benefits end at the later of the retiree's or spouse's death. Neither dental nor vision is offered to retirees who are 65 or older.

<u>Plan</u>	<u>Retiree</u>	<u>Retiree and Dependent/Spouse</u>	<u>Family</u>
Key Advantage Expanded (PPO)	\$725.00	\$1,341.00	\$1,958.00
Key Advantage 500 (PPO)	605.00	1,119.00	1,634.00
High Deductible Advantage 65 (PPO)	479.00	886.00	1,293.00
	190.00	380.00	N/A

D. Retiree and Employer Contributions

- Non-Medicare Eligible retirees and spouses (Under Age 65) – Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage.
- Medicare Eligible retirees and spouses (Age 65+) – Retirees contribute 100% of the premium cost for retiree and spouse/dependent coverage.

The Authority offers health and dental coverage to eligible employees and their eligible health plan benefits spouses/dependents. Retirees under the age of 65 are eligible to choose health care coverage using the same health care plans and premium structures available to active employees. Currently a retiree may choose one of the following medical options:

- Key Advantage Expanded (PPO)
- Key Advantage 500 (PPO)
- High Deductible Health Plan

Retirees age 65 and older may only choose the Advantage 65 (PPO). Medicare supplemental benefits end at the later of the retiree's or spouse's death. Neither dental nor vision is offered to retirees who are 65 or older. Benefits are currently managed on a pay-as-you-go basis rather than through the use of an irrevocable trust and a separate report of the OPEB Plan is not issued.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

D. Retiree and Employer Contributions (Continued)

There are no age or service requirements for disabled members. Disabled members must apply for retirement while still employed, or within 90 days after termination. Disabled members are eligible for the same benefit as other retirees and pay the full premium. If an employee dies prior to retirement and was eligible for retiree medical benefits, the employee's spouse may continue medical coverage through COBRA only.

E. Retiree Employer Contributions

No employee contributions are required prior to retirement to participate in or fund the OPEB Plan.

F. Withdrawal Benefit

The Plan does not include a withdrawal benefit.

G. Benefit Service

Benefit service is credited from the date of hire with Hampton Roads Regional Jail Authority. Employees with broken service are credited only for the time actually employed.

H. Annual Required Contribution (ARC)

The Authority's OPEB cost (expense) is based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Under these Statements, governmental entities report on a modified accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

I. Annual OPEB Cost and Net OPEB Obligation

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the Authority. The following table depicts the components of the Authority's annual OPEB cost for the year, the estimated annual contributions to the plan and changes in the Authority's net OPEB obligation.

Annual required	\$	256,000
Interest on net OPEB obligation		36,668
Adjustment to annual to annual required contribution		<u>(38,739)</u>
Annual OPEB cost (expense)	\$	253,929
Estimated Contributions		<u>(14,900)</u>
Increase in net OPEB obligation	\$	239,029
Net OPEB obligation, beginning of year		<u>1,047,654</u>
Net OPEB obligation, end of year	\$	<u><u>1,286,683</u></u>

For fiscal year 2015, the Authority's expected cash payment of \$14,900 was \$239,029 less than the OPEB cost. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	213,029	4.56%	842,889
June 30, 2014	227,665	10.06%	1,047,657
June 30, 2015	253,929	5.87%	1,286,683

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

J. Actuarial Methods and Assumptions

The demographic assumptions used in the calculations are predominantly consistent with those used in the June 30, 2014 valuation of the Virginia Retirement System General Employees Prior Plan (Plan 1), Appendix A; General Employees Current Plan (Plan 2) and Hybrid Plane, Appendix B; Public Safety Employees, Appendix C). In addition, we used the following assumptions specific to other post-employment benefits:

- 1) **Valuation Date:** June 30, 2014
- 2) **Inflation Rate:** 2.5% annual rate of inflation.
- 3) **Interest Rate:** 3.50% annual rate of interest. This is based on the assumption that the ARC would not be fully funded.
- 4) **Trend Rates**

Medical Trend rates used were consistent with information from the Getzen Trend Model “Milliman’s Health Guidelines” and actuarial judgement. The trend rates do not include the effects of changes in demographics of the covered group.

Period	Trend	Period	Trend
2014	7.00%	2041 to 2043	5.90%
2015	6.60%	2044 to 2046	5.80%
2016	6.10%	2047 to 2049	5.70%
2017 to 2018	5.50%	2050 to 2053	5.60%
2019 to 2025	5.80%	2054 to 2059	5.50%
2026	5.70%	2060 to 2061	5.40%
2027	5.80%	2062	5.30%
2028	6.10%	2063	5.20%
2029	6.60%	2064	5.10%
2030 to 2032	6.70%	2065	5.00%
2033 to 2034	6.60%	2066	4.90%
2035	6.50%	2067	4.80%
2036	6.40%	2068 to 2069	4.70%
2037 to 2038	6.20%	2070 to 2071	4.60%
2039	6.10%	2072 and after	4.50%
2040	6.00%		

5) Coverage Elections

- 30% of eligible employees will elect coverage upon retirement.
- 30% of employees who elect coverage will elect to cover a spouse.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Continued)

J. Actuarial Methods and Assumptions: (Continued)

6) Option Elections

It is assumed that the proportion of members in each option will remain constant. There is no coverage for retirees age 65 and over.

7) Payroll Growth

For amortizing the UAL as a level percent of payroll, a 3.00% annual rate of payroll growth is assumed.

8) Marital Status

It is assumed that 100% of active members are married with the husbands three years older than their wives.

9) Future Expenses

The assumed interest rate used in the valuation is net of the anticipated future administrative expenses.

Projections of benefits for financial reporting purposes are based on The Local Choice health care plan and include the types of benefits provided for at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation reflects an assumption of the impact on future health costs due to certain aspects of the passage of the Patient Protection and Affordable Care Act. The impact on future health costs due to this legislation will depend on a number of factors, including future regulations, which are not yet known. Some aspects of this law that are more well-defined have been incorporated into the actuarial analysis.

The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability. The annual required contribution (ARC) is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period. The amortization amount is determined as a level percentage payroll.

The actuarial valuation was performed as of June 30, 2014 with results projected for two years. The projected unit credit (PUC) actuarial method was used with a level percent of payroll over an open 30 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarial valuations are subjected to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 8—Other Post-employment Benefits (OPEB): (Concluded)

K. Asset Valuation Method

The plan is currently funded on a pay-as-you-go basis, so the plan has no assets and no investment returns.

L. Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial date, the OPEB Plan was unfunded. The actuarial accrued liability for active members was \$2,035,300 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$2,035,300. The normal cost represents the annual ongoing cost of the benefits accruing to active participants. The unfunded actuarial accrued liability has been amortized over a period not to exceed 30 years as a level percent of payroll amount with payroll increases of 3.00% per year. This has been accrued at an interest rate of 3.5% for Unfunded Contributions. The covered payroll of active employees covered by this plan was \$11,187,900, and the ratio of the UAAL to the covered payroll was 18.19%. The annual required contribution (ARC) as a percentage of payroll is 2.3%. Expected benefit payments for year ended June 30, 2016 are \$36,500.

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

Note 9—Due From (To) Other Governments:

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

From (to) the Commonwealth of Virginia:		
Per diem	\$	889,976
Reimbursements		844,852
From member cities:		
City of Chesapeake		236,250
City of Hampton		371,150
City of Newport News		399,560
City of Norfolk		472,500
City of Portsmouth		423,750
From Federal Government:		
US Department of Justice		1,093
Total	\$	<u>3,639,131</u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 10–Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. The Authority purchases commercial insurance for specific types of coverage including property, auto and workers' compensation. The Commonwealth of Virginia provides coverage under the VARISK program for general liability and faithful performance of duty bond. There were no significant reductions in insurance coverage from the prior year. Claims settlements and judgments not covered by commercial insurance would be covered by operating resources. To date there have been no settlements or judgments not covered by insurance. The amount of settlements did not exceed insurance coverage for each of the past three years. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Effective July 1, 2011 the 2010 session of the General Assembly changed how benefits under the Virginia Line of Duty Act (LODA) will be funded. The 2010 Appropriations Act established a new Line of Duty Act (LODA) Fund with the Virginia Retirement System (VRS) as the investment manager. The Commonwealth of Virginia, localities and authorities that employ eligible hazardous duty professionals will contribute to the LODA Fund for their respective covered individuals. There are 265 sworn officers employed by Hampton Roads Regional Jail that are eligible hazardous duty professionals. The jail has had no prior claims for LODA benefits.

The 2010 Appropriations Act did not change the LODA benefit provisions for the survivors of public safety workers who die as a result of their work, only how they will be funded. Localities and authorities had the option to establish their own fund rather than participate in the LODA Fund by making an election prior to July 1, 2012. For FY2012 the Board had elected not to participate in the VRS LODA Fund and chose to purchase insurance with the Virginia Municipal League Insurance Programs beginning on July 1, 2012. Prior to July 1, 2012, the Board exercised the option to leave the VRS LODA Fund. The cost of the program and the contribution to be made by the Authority for FY2014 and FY2015 was \$86,125 and \$104,069, respectively. Premiums are determined actuarially from experience.

Note 11–Subsequent Events:

In April 2015 the medical contractor Naphcare, Inc notified the Superintendent that they would require a substantial change to the existing contract for fiscal year 2016. HRRJ was unable to negotiate this type of change to an existing contract and chose to rebid the medical contract. The contract required 180 days' notice from Naphcare so they would stay through October 31, 2015. Naphcare later agreed to stay on-site through November 30, 2015.

In August 2015 the Board authorized the Superintendent to release a Request for Proposal based on a cost-plus form of contract for inmate medical services. They approved that the contract would separate the pharmacy, dialysis and electronic medical records from the medical contractor and be treated as separate request for proposals.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 11—Subsequent Events: (Concluded)

In December 2015 the Board approved a contract with Correct Care Solutions, LLC (CCS) with a fixed fee of \$697,259 and estimated combined operating costs of \$8.3 million for inmate medical services. This includes an estimated \$1.5 million for pharmacy and \$340,000 for dialysis. Four of the five member jurisdictions also contract with CCS Inc and there are expectations that the flow of inmate medical data and transfers will benefit from this arrangement.

The work-in-progress related to a security system upgrade reached 50% completion April 3, 2015. The Department of Corrections was subsequently notified so that interest will be accrued on the \$1,759,780 of the total project amount that has been authorized for reimbursement.

The Authority had a balance of \$2,279,725 in work-in-progress related to a security control system upgrade. The Authority received approval for reimbursement of 50%, or \$1,759,780 of the total project amount at the Board of Corrections May, 2015 meeting.

Note 12—Prior Period Adjustments to Net Position:

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 reported at June 30, 2014	\$	12,303,374
Implementation of GASB 68		<u>(3,893,414)</u>
Net Position as restated at June 30, 2014	\$	<u><u>8,409,960</u></u>

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Financial Statements June 30, 2015 (Continued)

Note 13—Future Pronouncements from GASB:

The GASB has issued Statements No. 74 “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and No. 75 “Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions.” This primarily relates to Employer and Employee contributions and the earnings on those contributions are irrevocable and free from employer creditors. HRRJ does not contribute to employee OPEB benefits and reports an imputed and unfunded liability of \$1,286,683.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

		2014
Total pension liability		
Service cost	\$	1,810,330
Interest		1,978,110
Benefit payments, including refunds of employee contributions		(581,740)
Net change in total pension liability	\$	3,206,700
Total pension liability - beginning		28,549,587
Total pension liability - ending (a)	\$	31,756,287
 Plan fiduciary net position		
Contributions - employer	\$	1,805,628
Contributions - employee		567,988
Net investment income		3,750,530
Benefit payments, including refunds of employee contributions		(581,740)
Administrative expense		(18,507)
Other		197
Net change in plan fiduciary net position	\$	5,524,096
Plan fiduciary net position - beginning		22,850,545
Plan fiduciary net position - ending (b)	\$	28,374,641
 Authority's net pension liability - ending (a) - (b)	\$	3,381,646
 Plan fiduciary net position as a percentage of the total pension liability		89.35%
 Covered-employee payroll	\$	11,497,755
 Authority's net pension liability as a percentage of covered-employee payroll		29.41%

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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

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

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Employee Payroll (4)</u>	<u>Contributions as a % of Covered Employee Payroll (5)</u>
2015	\$ 1,631,515	\$ 1,631,515	\$ -	\$ 11,602,945	14.06%

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.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information
Related to the Virginia Retirement System Pension Plan
For the Year Ended June 30, 2015

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

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedule of Funding Progress
Other Post-Employment Benefits (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 886,600	\$ 886,600	0.00%	\$ 11,824,500	7.50%
6/30/2012	-	1,347,300	1,347,300	0.00%	10,362,800	13.00%
6/30/2014	-	2,035,300	2,035,300	0.00%	11,187,900	18.19%

OTHER SUPPLEMENTARY INFORMATION

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Notes to Reconciliation of Budgetary Expenditures to Operating Expenses June 30, 2015

Budgetary Highlights

The Authority adopts an annual budget which is based on the estimated operating and capital expenditures for a fiscal year period. The total budget adopted for FY-15 was \$36,178,063 and contained all day to day operating expenses including personal services, employee benefits, purchased services, other charges, materials and supplies, and capital repairs and equipment. The budget was modified during the year, resulting in a net budget increase of \$483,408 and a final budget of \$36,661,471. The budget increase was due primarily to an appropriation authorized by the Authority's Board from the capital repair and replacement fund for the security system upgrade and other capital projects.

Actual operating revenues were less than estimated revenues by \$254,458. This revenue decrease was primarily due to a decrease in Compensation Board per diems. This amount will increase in FY2016 with the completion of the City of Chesapeake's population ramp-up. Operating expenditures including debt service were \$259,049 less than budgeted primarily due to a reduction in VRS and reduced maintenance services.

Budgetary Accounting and Control

Budget Preparation

The Authority prepares its annual budget in accordance with Section 3.8 of the Service Agreement approved by the member cities on December 1, 1995. A preliminary budget is approved by the Authority's Board and provided to the member cities by January 1 of each year and a final budget is approved by the Authority's Board and provided to the member cities by March 1 of each year. The budget is prepared by Authority staff and reviewed by the Finance Committee, consisting of four members of the Authority's Board prior to submission to the Authority's full board for approval. Per Diem rates for the member cities are adopted as part of the annual budget. Five year projections for both revenues and expenses are also part of the annual budget submission as well as the five year schedule capital investment projections.

The Authority's Board approves any budget amendments and any transfers between object classes (i.e. categories) during the ensuing year. The Superintendent may transfer amounts within object classes. While the formal level of budgetary control rests at the object class level, management control is exercised at the sub-object level.

Budgetary Accounting

The annual budget is prepared on a basis of accounting consistent with generally accepted accounting principles. No provision is provided for non-cash items such as depreciation and compensated absences. Capital additions and inventory purchases are budgeted as expenditures. All unobligated appropriations lapse at the end of the fiscal year.

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HAMPTON ROADS REGIONAL JAIL AUTHORITY

Reconciliation of Budgetary Expenditures to Operating Expenses
Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Operating Expenditures				
Personal services	\$ 12,528,376	\$ 12,528,376	\$ 12,223,582	\$ 304,794
Employee benefits	5,199,227	5,199,227	5,006,782	192,445
Medical services	9,199,355	9,250,355	9,980,797	(730,442)
Other purchased services	2,321,000	2,270,000	2,192,080	77,920
Other charges	2,500,000	2,500,000	2,339,743	160,257
Materials and supplies	756,544	756,544	541,627	214,917
Capital outlay	322,750	806,157	823,154	(16,997)
Inmates commissary	325,000	325,000	258,860	66,140
Employees canteen	5,000	5,000	4,998	2
Debt service	3,020,812	3,020,812	3,030,799	(9,987)
Total operating expenditures and debt service	<u>\$ 36,178,063</u>	<u>\$ 36,661,471</u>	<u>\$ 36,402,422</u>	<u>\$ 259,049</u>
Add:				
Prior year budget expenditures carried over to current year			\$ 879,216	
Unbudgeted depreciation			2,554,786	
Increase in unbudgeted OPEB obligation			239,029	
Amortization of deferred amount on refunding bonds			187,039	
Less:				
Decrease in unbudgeted compensated absences			(17,422)	
Decrease in VRS Pension expense			(472,148)	
Capitalized items			(148,078)	
Current year budget obligations carried over to subsequent year			(2,188,084)	
Debt service			(1,705,000)	
Total operating expenses including debt service			<u>\$ 35,731,760</u>	

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual
Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Operating Revenues				
Commonwealth of Virginia reimbursement	\$ 9,500,000	\$ 9,500,000	\$ 9,720,524	\$ 220,524
Commonwealth of Virginia per diems, net	2,857,283	2,857,283	2,571,432	(285,851)
Member per diems	21,946,000	21,946,000	21,924,385	(21,615)
ICE inmate per diems	70,000	70,000	-	(70,000)
Telephone revenues	358,000	358,000	356,604	(1,396)
Inmates commissary	325,000	325,000	258,860	(66,140)
Inmates keep fees	120,390	120,390	106,881	(13,509)
Employees canteen	5,000	5,000	5,295	295
Membership Buy-In	1,000,000	1,000,000	1,000,000	-
Miscellaneous revenues	35,000	35,000	18,234	(16,766)
Total operating revenues	<u>\$ 36,216,673</u>	<u>\$ 36,216,673</u>	<u>\$ 35,962,215</u>	<u>\$ (254,458)</u>
Operating Expenditures				
Personal services	\$ 12,528,376	\$ 12,528,376	\$ 12,223,582	\$ 304,794
Employee benefits	\$ 5,199,227	\$ 5,199,227	\$ 5,006,782	\$ 192,445
Medical services	\$ 9,199,354	\$ 9,250,355	\$ 9,980,797	\$ (730,442)
Other purchased services				
Legal services	\$ 60,000	\$ 60,000	\$ 54,538	\$ 5,462
Public advertising	5,000	5,000	1,478	3,522
Food services	1,175,000	1,175,000	1,147,922	27,078
Maintenance services	617,990	617,990	595,496	22,494
Other purchased services	463,010	412,010	392,646	19,364
Total purchased services	<u>\$ 2,321,000</u>	<u>\$ 2,270,000</u>	<u>\$ 2,192,080</u>	<u>\$ 77,920</u>
Other charges				
Telecommunications	\$ 70,000	\$ 90,000	\$ 87,507	\$ 2,493
Utilities	1,763,000	1,676,968	1,560,883	116,085
Payment in lieu of taxes	520,000	520,000	486,566	33,434
Insurance	80,000	143,532	143,531	1
Postage	7,000	7,000	4,281	2,719
Equipment rental and maintenance	25,000	27,500	24,833	2,667
Car allowance/mileage	5,000	5,000	2,942	2,058
Miscellaneous	7,000	7,000	17,430	(10,430)
Training and travel	20,000	20,000	8,825	11,175
Dues/memberships	3,000	3,000	2,946	54
Total other charges	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,339,744</u>	<u>\$ 160,256</u>
Materials and supplies				
Office and miscellaneous supplies	\$ 50,000	\$ 50,000	\$ 11,300	\$ 38,700
Security supplies	12,044	12,044	4,797	7,247
Maintenance parts and supplies	165,000	165,000	103,513	61,487

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedules of Revenues and Expenditures - Budget to Actual
Fiscal Year Ended June 30, 2015 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget (over) under</u>
Materials and supplies (continued)				
Uniforms	\$ 110,000	\$ 110,000	\$ 61,334	\$ 48,666
Inmate bedding and clothing	185,000	185,000	182,489	2,511
Laundry and janitorial supplies	180,000	164,800	119,191	45,609
Other jail materials and supplies	54,500	69,700	59,003	10,697
Total materials and supplies	<u>\$ 756,544</u>	<u>\$ 756,544</u>	<u>\$ 541,627</u>	<u>\$ 214,917</u>
Capital outlay	\$ 322,750	\$ 806,157	\$ 823,153	\$ (16,996)
Inmates commissary	\$ 325,000	\$ 325,000	\$ 258,860	\$ 66,140
Employees canteen	\$ 5,000	\$ 5,000	\$ 4,998	\$ 2
Total operating expenditures	<u>\$ 33,157,251</u>	<u>\$ 33,640,659</u>	<u>\$ 33,371,623</u>	<u>\$ 269,036</u>
Excess (deficit) of operating revenues over (under) operating expenditures	<u>\$ 3,059,422</u>	<u>\$ 2,576,014</u>	<u>\$ 2,590,592</u>	<u>\$ 14,578</u>
Nonoperating revenues				
Gain (loss) on disposal of property	\$ -	\$ -	\$ 2,780	\$ 2,780
Investment income	<u>200,000</u>	<u>200,000</u>	<u>20,859</u>	<u>(179,141)</u>
Total nonoperating revenues	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 23,639</u>	<u>\$ (176,361)</u>
Nonoperating expenses				
Debt service				
Principal	\$ 1,705,000	\$ 1,705,000	\$ 1,705,000	\$ -
Interest and fiscal charges	<u>1,315,812</u>	<u>1,315,812</u>	<u>1,325,799</u>	<u>(9,987)</u>
Total debt service	<u>\$ 3,020,812</u>	<u>\$ 3,020,812</u>	<u>\$ 3,030,799</u>	<u>\$ (9,987)</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ 238,610</u>	<u>\$ (244,798)</u>	<u>\$ (416,568)</u>	<u>\$ (171,770)</u>
Net position - July 1, 2014, as adjusted			\$ 8,409,960	
Prior year budget expenditures carried over to current year			(879,216)	
Depreciation			(2,554,786)	
Increase in OPEB obligation			(239,029)	
Amortization of deferred amount on refunding bonds			(187,039)	
Decrease in compensated absences			17,422	
Decrease in VRS Pension expense			472,148	
Capital additions			148,078	
Current year budget obligations carried over to subsequent year			2,188,084	
Debt principal			<u>1,705,000</u>	
Net position - June 30, 2015			<u>\$ 8,664,054</u>	

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STATISTICAL SECTION (UNAUDITED)

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

Financial Trends

These tables contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time. Tables 1-2

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Authority’s ability to generate its revenues..... Tables 3-4

Debt Capacity

This table presents information to help the reader assess the affordability of the Authority’ current level of outstanding debt and the Authority’s ability to issue additional debt in the future. Table 5-6

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place and to help make comparisons over time and with other governments..... Tables 7-11

Operating Information

These tables contain information about the Authority’s operations and resources to help the reader understand how the Authority’s financial information relates to the services the Authority provides and activities it performs. Tables 12-16

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Net Position - By Component
Last Ten Years

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net investment in capital assets	\$ (29,743)	\$ 309,452	\$ 977,085	\$ 1,573,904	\$ 2,394,176	\$ 3,420,254	\$ 4,379,116	\$ 5,457,348	\$ 6,278,698	\$ 7,863,676
Restricted	4,680,621	4,567,622	4,450,615	4,414,775	4,370,997	4,388,904	4,218,228	4,100,656	3,782,175	3,781,500
Unrestricted	4,013,176	7,426,300	12,856,739	14,108,478	14,491,877	15,841,794	18,204,977	19,118,817	19,165,040	17,211,872
Total net position	\$ 8,664,054	\$ 12,303,374	\$ 18,284,439	\$ 20,097,157	\$ 21,257,050	\$ 23,650,952	\$ 26,802,321	\$ 28,676,821	\$ 29,225,913	\$ 28,857,048

Note: Funds identified by the Authority's Board for Capital Repair and Replacement and the Operating Reserve are considered unrestricted.

TABLE 2

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Changes in Net Position
Last Ten Years

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating revenues:										
Commonwealth of Virginia:										
Reimbursements	\$ 9,720,524	\$ 10,043,289	\$ 9,304,484	\$ 9,187,838	\$ 9,199,839	\$ 8,516,533	\$ 7,485,000	\$ 10,039,915	\$ 9,696,776	\$ 9,252,562
Per diems, net of recoveries	2,571,432	2,458,120	712,519	(20,641)	(607,639)	231,583	400,538	2,205,131	2,634,826	1,569,043
Federal passed through grants	-	-	-	-	-	562,300	2,547,946	-	-	-
Member per diems	21,924,385	16,751,048	15,474,383	14,230,706	12,903,464	12,355,010	11,914,590	13,060,531	13,398,102	11,787,236
ICE per diems	-	42,008	6,410,640	8,797,146	9,602,260	8,534,729	9,018,009	4,503,404	3,546,077	5,415,998
New Member Buy In	1,000,000	-	-	-	-	-	-	-	-	-
Telephone revenue	356,604	360,400	564,000	566,156	560,000	559,656	532,439	480,000	480,000	480,000
Inmates commissary sales commissions	258,860	220,883	272,843	302,905	318,741	333,162	304,700	291,685	288,006	257,252
Inmates keep fees	106,881	97,379	95,219	94,028	111,805	-	175,943	198,138	217,240	192,106
Employees canteen sales commissions	5,295	5,402	5,726	6,792	4,504	2,784	3,875	4,204	4,551	5,539
Miscellaneous revenues	18,234	233,525	54,378	76,058	108,202	78,914	84,053	221,417	229,602	180,415
Total revenues	\$ 35,962,215	\$ 30,212,054	\$ 32,894,192	\$ 33,240,988	\$ 32,201,176	\$ 31,174,671	\$ 32,467,093	\$ 31,004,425	\$ 30,495,180	\$ 29,140,151
Operating expenses:										
Jail operations										
Personal services	\$ 12,223,582	\$ 11,723,937	\$ 11,721,476	\$ 10,895,338	\$ 11,190,400	\$ 11,363,677	\$ 11,606,272	\$ 10,925,107	\$ 10,411,429	\$ 9,864,178
Employee benefits	4,756,240	5,118,128	4,946,227	4,675,228	4,542,426	4,643,629	4,599,441	3,723,549	3,427,631	3,053,409
Medical services	9,186,936	8,855,878	8,412,865	8,944,932	8,697,543	8,525,644	7,935,718	7,437,548	6,800,000	6,044,516
Other purchased services	2,209,057	2,136,631	2,287,935	2,166,816	2,186,178	2,205,175	2,152,009	2,173,358	2,097,532	1,999,433
Other charges	2,340,737	2,207,920	2,164,575	2,318,073	2,325,370	2,346,458	2,482,459	2,393,074	2,281,647	2,120,297
Materials and supplies	579,516	589,227	599,338	608,233	639,571	597,351	601,035	659,591	646,262	491,267
Noncapital equipment	102,596	102,425	106,697	60,705	65,534	29,580	188,751	153,665	172,563	156,863
Inmates commissary	258,860	218,027	297,485	343,815	321,443	295,162	300,000	265,917	262,650	544,607
Employees canteen	6,612	7,420	9,581	6,825	4,648	2,784	3,379	3,805	3,823	9,490
Depreciation	2,554,786	2,556,165	2,583,573	2,570,262	2,638,247	2,671,359	2,635,038	2,658,417	2,662,594	2,620,960
Total operating expenses	\$ 34,218,922	\$ 33,515,758	\$ 33,129,752	\$ 32,590,227	\$ 32,611,360	\$ 32,680,819	\$ 32,504,102	\$ 30,394,031	\$ 28,766,131	\$ 26,905,020
Operating income (loss)	\$ 1,743,293	\$ (3,303,704)	\$ (235,560)	\$ 650,761	\$ (410,184)	\$ (1,506,148)	\$ (37,009)	\$ 610,394	\$ 1,729,049	\$ 2,235,131
Nonoperating revenues (expenses)										
Investment income	\$ 20,859	\$ 47,100	\$ 34,272	\$ 240,356	\$ 182,595	\$ 348,959	\$ 543,760	\$ 1,140,046	\$ 1,039,381	\$ 790,760
Gain (loss) on disposal of capital assets	2,780	(274)	(357)	(1,329)	1,668	(41,785)	(133,141)	(14,222)	(49,728)	-
Interest and fiscal charges	(1,512,838)	(1,542,514)	(1,611,073)	(2,049,681)	(2,167,981)	(1,952,395)	(2,248,110)	(2,285,310)	(2,349,837)	(2,411,277)
Total nonoperating revenues (expenses)	\$ (1,489,199)	\$ (1,495,688)	\$ (1,577,158)	\$ (1,810,654)	\$ (1,983,718)	\$ (1,645,221)	\$ (1,837,491)	\$ (1,159,486)	\$ (1,360,184)	\$ (1,620,517)
Change in net position	\$ 254,094	\$ (4,799,392)	\$ (1,812,718)	\$ (1,159,893)	\$ (2,393,902)	\$ (3,151,369)	\$ (1,874,500)	\$ (549,092)	\$ 368,865	\$ 614,614

TABLE 3

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Per Diem Revenues
Last Ten Years

Fiscal Year	City of Chesapeake		City of Hampton		City of Newport News		City of Norfolk		City of Portsmouth		Member Per Diem Total		ICE	
2015	\$	2,009,085	\$	4,382,085	\$	4,621,000	\$	5,756,590	\$	5,155,625	\$	21,924,385	\$	-0-
2014	-	-	3,757,855	3,870,840	3,870,840	3,870,840	4,843,330	4,279,023	4,279,023	4,279,023	16,751,048	16,751,048	42,008	
2013	-	-	3,507,781	3,579,628	3,579,628	3,579,628	4,471,250	3,915,724	3,915,724	3,915,724	15,474,383	15,474,383	6,410,640	
2012	-	-	3,230,498	3,328,016	3,328,016	3,328,016	4,118,332	3,553,860	3,553,860	3,553,860	14,230,706	14,230,706	8,797,146	
2011	-	-	2,774,499	3,214,004	3,214,004	3,214,004	3,747,858	3,167,103	3,167,103	3,167,103	12,903,464	12,903,464	9,602,260	
2010	-	-	2,614,206	3,363,679	3,363,679	3,363,679	3,467,500	2,909,625	2,909,625	2,909,625	12,355,010	12,355,010	8,534,729	
2009	-	-	2,781,077	2,936,776	2,936,776	2,936,776	3,376,250	2,820,487	2,820,487	2,820,487	11,914,590	11,914,590	9,018,009	
2008	-	-	3,260,382	2,902,168	2,902,168	2,902,168	4,146,835	2,751,146	2,751,146	2,751,146	13,060,531	13,060,531	4,503,404	
2007	-	-	3,215,333	3,243,151	3,243,151	3,243,151	4,180,166	2,759,452	2,759,452	2,759,452	13,398,102	13,398,102	3,546,077	
2006	-	-	2,479,553	2,996,165	2,996,165	2,996,165	3,633,169	2,678,349	2,678,349	2,678,349	11,787,236	11,787,236	5,415,998	

TABLE 4

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Per Diem Rates

Last Ten Years and Current Year

Fiscal Year	Per Diem Rates										Reduced Rate Maximum 20% (2)
	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth (1)	ICE					
2016	\$ 63.00	\$ 63.00	\$ 63.00	\$ 63.00	\$ 58.08	\$ 75.69	\$ 40.00				
2015	-	63.00	63.00	63.00	56.50	75.69	40.00				
2014	-	53.00	53.00	53.00	46.85	75.69	40.00				
2013	-	49.00	49.00	49.00	42.80	75.69	36.00				
2012	-	45.00	45.00	45.00	38.84	75.69	32.00				
2011	-	41.00	41.00	41.00	34.70	75.69	28.00				
2010	-	38.00	38.00	38.00	31.74	75.69	25.00				
2009	-	37.00	37.00	37.00	30.85	75.69	24.00				
2008	-	36.00	36.00	36.00	29.99	75.69	23.00				
2007	-	36.00	36.00	36.00	30.14	75.69	23.00				
2006	-	35.00	35.00	35.00	29.21	75.69	22.00				

(1) Portsmouth is the host city for the Authority and its per diem rate is less than that of the other three cities.

TABLE 5

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Revenue Bond Coverage Compliance with Indenture Revenue Covenant
Last Ten Years

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation (2)	Income Available for Debt Service	Credits Allowed by Revenue Covenant (3)	Net Revenue and Credits Available for Debt Service	Annual Revenue Bond Debt Service	Revenue Covenant Ratio (4)
2015	\$ 35,983,074	\$ 31,664,136	\$ 4,318,938	3,386,812	\$ 7,705,750	\$ 3,030,799	2.54
2014	30,258,881	30,959,593	(700,712)	3,418,145	2,717,433	3,133,313	0.87
2013	32,928,464	30,546,179	2,382,285	3,474,083	5,856,368	3,554,705	1.65
2012	33,481,344	30,019,965	3,461,379	3,291,103	6,752,482	3,649,681	1.85
2011	32,383,771	29,973,113	2,410,658	3,398,053	5,808,711	3,707,981	1.57
2010	31,523,630	30,009,460	1,514,170	3,256,278	4,770,448	3,442,395	1.39
2009	32,877,712	29,869,064	3,008,648	3,327,552	6,336,200	3,693,110	1.72
2008	32,130,249	27,735,614	4,394,635	3,239,909	7,634,544	3,695,310	2.07
2007	31,484,833	26,103,537	5,381,296	3,036,506	8,417,802	3,694,837	2.28
2006	29,930,911	24,284,060	5,646,851	2,829,075	8,475,926	3,691,277	2.30

(1) Includes operating revenue plus investment income.

(2) The indenture does not permit depreciation to be included in the operating expense.

(3) The Indenture permits credits toward the revenue covenant for, among other items, unencumbered amounts in the General Reserve Fund and amounts in Capital Repair and Replacement Reserve Fund in excess of the Replacement Reserve Requirement of \$100,000. The allowable credit is limited to 10% in the aggregate of the total of operating expenses plus the debt service requirement contained in the annual budget for the fiscal year.

(4) The ratio required by the Revenue Covenant is the greater of (a) 1.10 times Senior Debt Service plus 1.0 times Subordinate Debt Service for the fiscal year or (b) 1 times the funding requirements for all funds established under the Master Indenture. The ratio shown is coverage for Senior Debt Service in clause (a) which is greater than the amount required in clause (b). The Authority has no subordinate debt.

(5) Section 9.6 of the Master Indenture of Trust requires, "... if as of the end of any fiscal year, the Authority is not in compliance with the Revenue Covenant, ... The Authority will immediately request the Consultant to submit a written report and recommendations with respect to increases in the Authority's rates, fees, and charges ... necessary to bring the Authority into compliance with the Revenue Covenant." Mr. Kevin Rotty, Managing Director of the Public Financial Management Group (PFM) has been hired to provide this written report and recommendations. The authority has ample cash reserves to meet the debt service requirements and has made all required debt service payments timely.

TABLE 6

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedule of Total Outstanding Debt Ratios to Total Personal Income and Population of Member Jurisdictions
June 30, 2015

Total Annual Personal Income In Thousands (1)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2014	\$ -	5,766,394 \$	6,672,878 \$	9,547,230 \$	3,795,731 \$	25,782,233
2013	-	5,456,189	6,241,927	8,946,520	3,596,088	24,240,724
2012	-	5,228,880	6,011,449	8,595,424	3,340,905	23,176,658
2011	-	5,456,189	6,241,927	8,946,520	3,596,088	24,240,724
Per Capita Personal Income (1)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2015	\$ 29,905	25,247 \$	25,310	24,659 \$	23,138 \$	128,259
2014	-	25,198	25,549	24,631	23,363	98,741
2013	-	24,715	25,196	24,357	23,108	97,376
2012	-	38,335	33,469	35,426	34,916	142,146
2011	-	38,046	33,264	35,401	34,949	141,660
Population (2)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2015	233,371	136,879	182,965	245,428	96,004	894,647
2014	-	136,699	182,020	246,139	96,205	661,063
2013	-	136,836	180,726	245,782	96,470	659,814
2012	-	136,273	180,201	243,610	95,771	655,855
2011	-	137,436	180,719	242,803	95,535	656,493
Unemployment Rate (3)						
Fiscal Year	City of Chesapeake	City of Hampton	City of Newport News	City of Norfolk	City of Portsmouth	Totals
2015	4.3%	6.3%	5.7%	5.6%	6.5%	* current 9 months
2014	-	6.4%	6.3%	6.6%	6.8%	
2013	-	7.0%	6.6%	7.0%	7.5%	
2012	-	7.7%	7.2%	7.7%	8.2%	
2011	-	8.6%	8.0%	8.3%	8.9%	

Total Debt - \$ 39,345,000

Outstanding Debt to Personal Income Ratio for Member Cities for FY2014 - 0.6%

Outstanding Debt Per Capita for Member Cities for FY2015 - \$43.99

Note: Personal Income, Population and Unemployment statistics were not required in the financial report prior to FY2010

2014 personal income is the most recent data available

Sources: (1) U.S. Department of Commerce, Bureau of Economic Analysis

(2) U.S. Department of Commerce, Census Bureau, Population Division

(3) U.S. Department of Commerce, Bureau of Labor Statistics

TABLE 7

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Full-time Equivalent Employees - By Function
Last Ten Years

As of June 30	Jail Operations		Total (1)
	Sworn	Civilian	
2015	262	15	277
2014	266	15	281
2013	254	14	268
2012	261	17	278
2011	261	15	276
2010	263	18	281
2009	278	18	296
2008	278	17	295
2007	278	17	295
2006	278	18	296
2005	277	18	295

(1) Full-time equivalent employees equal positions filled at June 30.

TABLE 8

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Inmate Population Statistics
Last Ten Years

Average Daily Population (ADP) at HRRJ										
Fiscal Year	From City of Chesapeake	From City of Hampton	From City of Newport News	From City of Norfolk	From City of Portsmouth	Total from Member Cities	From ICE	From Other	Total	Total Number of Inmate Days
2015	88	200	201	250	212	951	-	6	957	349,007
2014	-	200	200	250	236	886	2	6	894	326,114
2013	-	204	200	249	236	889	232	-	1,121	409,206
2012	-	203	203	250	215	871	318	-	1,189	435,078
2011	-	188	222	249	220	879	348	-	1,227	448,009
2010	-	195	254	247	250	946	309	-	1,255	458,301
2009	-	215	227	245	250	937	326	-	1,263	460,814
2008	-	260	231	333	249	1,073	163	-	1,236	452,243
2007	-	257	260	336	250	1,103	128	-	1,231	449,859
2006	-	204	246	293	252	995	196	-	1,191	434,842

Number of Admissions										
Fiscal Year	From City of Chesapeake	From City of Hampton	From City of Newport News	From City of Norfolk	From City of Portsmouth	Total from Member Cities	From ICE	From Other	Total	
2015	272	384	402	603	578	2,239	-	15	2,254	
2014	-	393	390	463	512	1,758	161	123	2,042	
2013	-	362	404	449	525	1,740	1,165	32	2,937	
2012	-	365	406	458	593	1,822	2,385	20	4,227	
2011	-	457	520	533	603	2,113	2,334	28	4,475	
2010	-	377	492	593	712	2,174	1,894	-	4,068	
2009	-	459	552	580	752	2,343	3,055	-	5,398	
2008	-	665	607	782	794	2,848	1,107	-	3,955	
2007	-	550	584	784	869	2,787	1,042	1	3,830	
2006	-	561	708	767	815	2,851	981	-	3,832	

Number of Releases										
Fiscal Year	From City of Chesapeake	From City of Hampton	From City of Newport News	From City of Norfolk	From City of Portsmouth	Total from Member Cities	From ICE	From Other	Total	
2015	187	381	396	609	536	2,109	-	12	2,121	
2014	-	387	391	454	542	1,774	161	11	1,946	
2013	-	382	401	450	523	1,756	1,546	30	3,332	
2012	-	354	432	455	565	1,806	2,352	20	4,178	
2011	-	420	503	533	647	2,103	2,303	29	4,435	
2010	-	407	494	589	709	2,199	1,970	-	4,169	
2009	-	508	572	584	758	2,422	2,845	-	5,267	
2008	-	690	613	874	802	2,979	1,070	-	4,049	
2007	-	559	609	782	850	2,800	1,022	1	3,823	
2006	-	480	643	680	844	2,647	1,114	-	3,761	

TABLE 9

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Average Daily Inmate Population of Member City Jails
Last Ten Years

Fiscal Year	City of Chesapeake		City of Hampton		City of Newport News			City of Norfolk		City of Portsmouth		Total
					Jail	Farm	Total					
2015	976	368	482	129	611	1,274	400	3,629				
2014	-	409	660	163	823	1,646	569	3,447				
2013	-	405	476	138	614	1,429	412	2,860				
2012	-	406	501	158	659	1,381	409	2,855				
2011	-	372	514	155	669	1,337	416	2,794				
2010	-	367	541	115	656	1,438	459	2,920				
2009	-	366	562	136	698	1,629	498	3,191				
2008	-	387	637	139	776	1,704	518	3,385				
2007	-	480	678	158	836	1,757	572	3,645				
2006	-	411	639	162	801	1,757	495	3,464				

(1) Each of the Authority's five Member Cities operate their own City jails, and send selected inmates to Hampton Roads Regional Jail.

(2) Source: ADP was supplied by the State Compensation Board.

TABLE 10

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Average Daily Inmate Population - Hampton Roads Regional Jail and Member City Jails - Combined
Last Ten Years

Fiscal Year	Hampton Roads Regional Jail	Member City Jails (1)	Total with ICE	% Increase/ (Decrease) with ICE	Less: ICE	Total without ICE	% Increase/ (Decrease) without ICE
2015	956	3,629	4,585	5.6	0	4,585	5.7
2014	894	3,447	4,341	9.0	2	4,339	15.7
2013	1,121	2,860	3,981	(1.6)	232	3,749	0.6
2012	1,189	2,855	4,044	0.6	318	3,726	1.4
2011	1,227	2,794	4,021	(3.7)	348	3,673	(5.0)
2010	1,255	2,920	4,175	(6.3)	309	3,866	(6.3)
2009	1,263	3,191	4,454	(3.6)	326	4,128	(7.4)
2008	1,236	3,385	4,621	(5.2)	163	4,458	(6.1)
2007	1,231	3,645	4,876	4.7	128	4,748	6.5
2006	1,191	3,464	4,655	4.3	196	4,459	5.4

Each of the Authority's five Member Cities operate their own City jails, and send selected inmates to Hampton Roads Regional Jail.

TABLE 11

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Inmate Days and Per Diems Billed - By Jurisdiction
Fiscal Year 2015

Member City	Per Diem Rate	# Beds Guaranteed	Inmate Days Guaranteed (1)	Inmate Days Billed (2)	Per Diems Billed
Chesapeake	\$ 63.00	125	31,875 \$	31,996 \$	2,009,085
Hampton	\$ 63.00	175	63,875	72,824	4,382,085
Newport News	\$ 63.00	200	73,000	73,470	4,621,000
Norfolk	\$ 63.00	250	91,250	91,150	5,756,590
Portsmouth	\$ 56.50	250	91,250	77,321	5,155,625
Totals		1,000	351,250 \$	346,761 \$	21,924,385

- (1) Inmate days guaranteed are equal to 365 times the number of beds guaranteed.
- (2) Inmate days billed are calculated and billed monthly as the greater of actual inmate days or guaranteed inmate days.
- (3) Chesapeake's "# Beds Guaranteed" reflects Total guaranteed beds as of June 30, 2015. Chesapeake's number of guaranteed beds increases by 25 each quarter until ramp-up is complete July 1, 2016.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Total Expenses - By Function
Last Ten Years

Fiscal Year	Jail Operations											Total Expenses
	Personal Services	Employee Benefits	Inmate Medical Services	Other Purchased Services	Other Charges	Materials and Supplies	Non-capital Equipment	Inmates Commissary	Employees Canteen	Depreciation	Debt Interest and Fiscal Charges	
2015	\$ 12,223,582	\$ 4,756,240	\$ 9,186,936	\$ 2,209,057	\$ 2,340,737	\$ 579,516	\$ 102,596	\$ 258,860	\$ 6,612	\$ 2,554,786	\$ 1,512,838	\$ 35,731,760
2014	11,723,937	5,118,128	8,855,878	2,136,631	2,207,920	589,227	102,425	218,027	7,420	2,556,165	1,542,514	35,058,272
2013	11,721,476	4,946,227	8,412,865	2,287,935	2,164,575	599,338	106,697	297,485	9,581	2,583,573	1,611,073	34,740,825
2012	10,895,338	4,675,228	8,944,932	2,166,816	2,318,073	608,233	60,705	343,815	6,825	2,570,262	2,049,681	34,639,908
2011	11,190,400	4,542,426	8,697,543	2,186,178	2,325,370	639,571	65,534	321,443	4,648	2,638,247	2,167,981	34,779,341
2010	11,363,677	4,643,629	8,525,644	2,205,175	2,346,458	597,351	29,580	295,162	2,784	2,671,359	1,952,395	34,633,214
2009	11,606,272	4,599,441	7,935,718	2,152,009	2,482,459	601,035	188,751	300,000	3,379	2,635,038	2,248,110	34,752,212
2008	10,925,107	3,723,549	7,437,548	2,173,358	2,393,074	659,591	153,665	265,917	3,805	2,658,417	2,285,310	32,679,341
2007	10,411,429	3,427,631	6,800,000	2,097,532	2,281,647	646,262	172,563	262,650	3,823	2,662,594	2,349,837	31,115,968
2006	9,864,178	3,053,409	6,044,516	1,999,433	2,120,297	491,267	156,863	544,607	9,490	2,620,960	2,411,277	29,316,297

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Total Revenue - By Source
Last Ten Years

Fiscal Year	Commonwealth		Federal Grants (2)	Total from Commonwealth	Member		ICE		Investment Income	Telephone Revenues	Inmates			Sales Commissions			Total Revenues
	Reimbursement	Per Diems			Per Diems	Diems	Per Diems	Kept			Fees (1)	Inmate Commissary	Employee Canteen	Miscellaneous Revenues (3)			
															Per Diems	Diems	
2015	\$ 9,720,524	\$ 2,571,432	\$ -	\$ 12,291,956	\$ 21,924,385	\$ -	\$ -	\$ 20,859	\$ 356,604	\$ 106,881	\$ 258,860	\$ 5,295	\$ 1,021,014	\$ 35,985,854			
2014	10,043,289	2,458,120	-	12,501,409	16,751,048	42,008	46,826	360,400	97,379	220,883	5,402	233,525	30,258,880				
2013	9,304,484	712,519	-	10,017,003	15,474,383	6,410,640	34,272	564,000	95,219	272,843	5,726	54,378	32,928,464				
2012	9,187,838	(20,641)	-	9,167,197	14,230,706	8,797,146	240,356	566,156	94,028	302,905	6,792	74,729	33,480,015				
2011	9,199,839	(607,639)	-	8,592,200	12,903,464	9,602,260	182,595	560,000	111,805	318,741	4,504	109,870	32,385,439				
2010	8,516,533	231,583	562,300	9,310,416	12,355,010	8,534,729	348,959	559,656	-	333,162	2,784	37,129	31,481,845				
2009	7,485,000	400,538	2,547,946	10,433,484	11,914,590	9,018,009	543,760	532,439	175,943	304,700	3,875	(49,088)	32,877,712				
2008	10,039,915	2,205,131	-	12,245,046	13,060,531	4,503,404	1,140,046	480,000	198,138	291,685	4,204	207,195	32,130,249				
2007	9,696,776	2,634,826	-	12,331,602	13,398,102	3,546,077	1,039,381	480,000	217,240	288,006	4,551	179,874	31,484,833				
2006	9,252,562	1,569,043	-	10,821,605	11,787,236	5,415,998	790,760	480,000	192,106	257,252	5,539	180,415	29,930,911				

- (1) The Authority began charging one dollar per day for inmate keep on November 1, 2003 in accordance with the Code of Virginia. In accordance with Virginia law, inmates keep fees were returned to the member cities during FY2010.
- (2) During FY2009 and FY2010, the Authority received American Recovery and Reinvestment Act State Fiscal Stabilization Funds passed through the Commonwealth.
- (3) Losses on disposal of property are included in miscellaneous revenues. Fiscal year 2015 includes Chesapeake's member buy-in of \$1,000,000.

TABLE 14

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Miscellaneous Statistical Data
June 30, 2015

Date of creation agreement					December 14, 1993
Date of ground breaking					September 8, 1995
Date operations began					March 16, 1998
Number of employee positions Uniformed (sworn) Non-uniformed (non-sworn)					282
					18
					<u>300</u>
Number of beds allotted	Initial Allocation	20% Additional at Reduced rate	Remaining Additional Allocation	Total Allocation	50
					10
	175	35	38	248	
	200	40	44	284	
	250	50	55	355	
	250	50	55	355	
					<u>925</u>
					<u>185</u>
					<u>203</u>
					<u>1,313</u>
State rated capacity					798
General population					
State rated capacity of member City jails					
City of Chesapeake Jail					557
City of Hampton Jail					468
City of Newport News Jail			300		
City of Newport News Jail Farm			137		437
City of Norfolk Jail					833
City of Portsmouth Jail					288
Total five member cities					<u>2,583</u>
Vehicle miles driven during the fiscal year					<u>265,417</u>

Source: State certified capacity of member City jails was obtained from the Virginia Compensation Board.

TABLE 15

HAMPTON ROADS REGIONAL JAIL AUTHORITY

\$13,005,000 Refunding Revenue Bonds - Series 2015
 \$24,700,000 Refunding Revenue Bonds - Series 2013B
 \$3,345,000 Refunding Revenue Bonds - Series 2013A
 Debt Service Schedule Fiscal Year Ended June 30, 2015

Due Date	Principal	Interest	Total Debt Service	Total by Fiscal Year
10/01/15	\$ 50,000	\$ 254,769	\$ 304,769	\$
04/01/16	-	298,972	298,972	
07/01/16	2,360,000	630,653	2,990,653	3,594,394
10/01/16	5,000	298,972	303,972	
04/01/17	-	298,869	298,869	
07/01/17	2,660,000	601,427	3,261,427	3,864,268
10/01/17	5,000	298,869	303,869	
04/01/18	-	298,766	298,766	
07/01/18	2,705,000	561,039	3,266,039	3,868,673
10/01/18	5,000	298,766	303,766	
04/01/19	-	298,638	298,638	
07/01/19	2,750,000	512,506	3,262,506	3,864,909
10/01/19	5,000	298,638	303,638	
04/01/20	-	298,509	298,509	
07/01/20	2,810,000	455,183	3,265,183	3,867,329
10/01/20	5,000,000	298,509	303,509	
04/01/21	-	298,381	298,381	
07/01/21	2,870,000	390,159	3,260,159	3,862,050
10/01/21	5,000	298,381	303,381	
04/01/22	-	298,253	298,253	
07/01/22	2,945,000	314,913	3,259,913	3,861,547
10/01/22	5,000	298,253	303,253	
04/01/23	-	298,125	298,125	
07/01/23	3,035,000	227,213	3,262,213	3,863,591
10/01/23	5,000	298,125	303,125	
04/01/24	-	297,997	297,997	
07/01/24	3,125,000	132,648	3,257,648	3,858,769
10/01/24	5,000	297,997	302,997	
04/01/25	-	297,869	297,869	
07/01/25	260,000	32,400	292,400	893,266
10/01/25	3,015,000	297,869	3,312,869	
04/01/26	-	220,609	220,609	
07/01/26	265,000	24,600	289,600	3,823,078
10/01/26	3,165,000	220,609	3,385,609	
04/01/27	-	139,506	139,506	
07/01/27	275,000	16,650	291,650	3,816,766
10/01/27	3,295,000	139,506	3,434,506	
04/01/28	-	96,422	96,422	
07/01/28	280,000	-	280,000	3,810,928
10/01/28	3,435,000	88,022	3,523,022	3,523,022
Total	\$ 39,345,000	\$ 11,027,590	\$ 50,372,590	\$ 50,372,590

TABLE 16

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Schedule of Insurance in Force
As of June 30, 2015

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Building and Personal Property & Extra Expense	VML Insurance Programs	7/1/2016	\$ 92,338,989	\$ 50,000
Flood	VML Insurance Programs	6/30/2016	\$ 5,000,000	\$ 25,000
Boiler and Machinery	VML Insurance Programs	6/30/2016	\$ 40,000,000	\$ 1,000
Automobile Liability	VML Insurance Programs	6/30/2016	\$ 1,000,000 without physical damage	none
Workers' Compensation	VML Insurance Programs	6/30/2016	Required Statutory Limits	
Employers' Liability	VML Insurance Programs	6/30/2016	\$ 1,000,000	none
Line of Duty	VML Insurance Programs	6/30/2016	Required Statutory Limits	
Crime Coverage	VML Insurance Programs	6/30/2016	\$ 100,000	none
Constitutional Officer General Liability - VaRisk (1)	Commonwealth of Virginia - Division of Risk Management	Continuous	\$ 1,000,000	none
Faithful Performance of Duty Bond (1)	Travelers Casualty and Surety Company of America	Continuous	\$ 30,000	none

(1) Provided by the Commonwealth of Virginia

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Hampton Roads Regional Jail Authority Portsmouth, 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 Hampton Roads Regional Jail Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Hampton Roads Regional Jail Authority's basic financial statements and have issued our report thereon dated February 12, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hampton Roads 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 Hampton Roads Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Hampton Roads 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 Hampton Roads 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, Fawcett, Cox Associates
Charlottesville, Virginia
February 12, 2016