Western Tidewater Regional Jail Authority

Management's Discussion and Analysis

The following discussion and analysis of Western Tidewater Regional Jail Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

The Authority's net assets decreased by approximately $0.9 million or 7.4% during the year ended June 30, 2012 as compared to a decrease of $0.5 million or 3.8% during the year ended June 30, 2011. The Authority received larger contributions from participating localities during fiscal year 2012, which made up for the decrease it experienced in other revenue areas.

Using This Annual Report

The annual 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 Western Tidewater Regional Jail 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 Assets includes the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). 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 Change in Fund Net Assets contains all of the current year's revenues 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, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and noncapital financing activities, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets. The Notes to Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the 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 - Enterprise Funds

The Statement of Net Assets and Statement of Revenues, Expenses and Change in Fund Net Assets 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 assets of the Authority and changes to it. The difference between assets and liabilities, net assets, is one way to measure financial health or financial position. Over time, increases or decreases in Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population and service area growth and new or changed legislation.

Financial Analysis - Enterprise Funds *(continued)*

The Authority's net assets decreased from last year by approximately $0.9 million. The analysis below focuses on the change in net assets and the resulting changes in assets and liabilities:

	(in thousands) 2012	2011	Amount Change	% Change
Current and other assets	$ 3,615	$ 6,225	$ (2,610)	-41.9%
Capital assets	15,567	13,876	1,691	12.2%
Long-term prepaid expense	63	63	-	0.0%
Total assets	$ 19,245	$ 20,164	$ (919)	-4.6%
Current liabilities	$ 1,833	$ 1,334	$ 499	37.4%
Noncurrent liabilities	5,487	5,960	(473)	-7.9%
Total liabilities	$ 7,320	$ 7,294	$ 26	0.4%
Net assets				
Invested in capital assets, net of related debt	$ 9,947	$ 10,744	$ (797)	-7.4%
Restricted	403	437	(34)	-7.8%
Unrestricted	1,575	1,689	(114)	-6.7%
Total net assets	$ 11,925	$ 12,870	$ (945)	-7.3%

The changes in the Authority's net assets can be determined by reviewing the following condensed Statement of Revenues, Expenses and Change in Fund Net Assets:

	(in thousands) 2012	2011	Amount Change	% Change
Operating revenues	$ 13,007	$ 12,596	$ 411	3.3%
Nonoperating revenues				
Investment income	1	2	(1)	-50.0%
Total revenues	13,008	12,598	410	3.3%
Operating expenses	13,774	12,997	777	6.0%
Nonoperating expenses				
Interest and fiscal charges	179	107	72	67.3%
Total expenses	13,953	13,104	849	6.5%
Change in net assets	(945)	(506)	(439)	86.8%
Beginning net assets	12,870	13,376	(506)	-3.8%
Ending net assets	$ 11,925	$ 12,870	$ (945)	-7.3%

Operating revenues increased by 3.3% in 2012 compared to 2011, mainly attributed to an increase of approximately 33% in local contributions from participating localities. Operating expenses increased by 6.0% compared to 2011, mainly attributable to an increase in employee benefits and modest increases in utilities and attorney services. Even though the expenses exceeded those of 2011, the Authority managed to come in under the 2012 budget.

Capital Assets and Debt Administration

Capital Assets

At the end of 2012, the Authority had $15.6 million invested in capital assets comprised of the land, building, land improvements, construction in progress, machinery, equipment, and office equipment of the regional jail. Capital assets increased by $1.7 million during the year due to HVAC system installation in construction in progress.

The following table summarizes the Authority's capital assets, net of accumulated depreciation:

	June 30 (in thousands)	
	2012	**2011**
Land	$ 37	$ 37
Building	25,097	25,097
Land improvements	758	758
Machinery and equipment	1,157	1,011
Construction in progress	3,154	597
Office equipment	75	77
	30,278	27,577
Less accumulated depreciation	(14,711)	(13,701)
Net capital assets	$ 15,567	$ 13,876

For additional information related to capital assets, see Note 4.

Capital Financing Debt

At year-end, the Authority had $6.0 million in revenue bonds outstanding due to refinancing the outstanding $2.3 million old debt and funding an additional $3.7 million in new debt to improve the building envelop and fund new equipment badly needed for public and employee safety. For additional analysis related to long-term debt activities, see Note 7.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers 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 Director of Administration at 2402 Godwin Boulevard, Suffolk, Virginia 23434.

Western Tidewater Regional Jail Authority

Statement of Net Assets - Enterprise Funds

June 30, 2012

Assets	Operating Fund	Canteen Fund	Total
Current assets			
Cash and cash equivalents	$ 1,762,339	$ 156,518	$ 1,918,857
Investments	-	213,079	213,079
Accounts receivable			
Canteen fees	-	61,585	61,585
Government	1,032,718	-	1,032,718
Prepaid expenses	49,348	-	49,348
Restricted cash and equivalents	339,019	-	339,019
Total current assets	3,183,424	431,182	3,614,606
Property, plant and equipment, net	15,567,490	-	15,567,490
Deferred charges	63,393	-	63,393
Total assets	$18,814,307	$ 431,182	$19,245,489
Liabilities and Net Assets			
Current liabilities			
Accounts payable	$ 384,333	$ 27,863	$ 412,196
Accrued expenses	719,635	-	719,635
Current portion of long-term liabilities	472,254	-	472,254
Deferred revenue	229,254	-	229,254
Total current liabilities	1,805,476	27,863	1,833,339
Other liabilities			
Long-term liabilities, net of current portion	5,487,205	-	5,487,205
Total liabilities	7,292,681	27,863	7,320,544
Net assets			
Investment in capital assets, net of related debt	9,947,050	-	9,947,050
Restricted for inmates	-	403,319	403,319
Unrestricted	1,574,576	-	1,574,576
Total net assets	11,521,626	403,319	11,924,945
Total liabilities and net assets	$18,814,307	$ 431,182	$19,245,489

Western Tidewater Regional Jail Authority

Statement of Revenues, Expenses and Change in Fund Net Assets - Enterprise Funds

Year Ended June 30, 2012

	Operating Fund	Canteen Fund	Total
Operating revenues			
State	$ 4,541,671	$ -	$ 4,541,671
Federal	3,970,299	-	3,970,299
City of Suffolk	2,575,604	-	2,575,604
City of Franklin	522,586	-	522,586
Isle of Wight County	634,569	-	634,569
Canteen commissions	-	175,280	175,280
Work release	63,559	-	63,559
Room and board	133,339	-	133,339
Miscellaneous	389,974	-	389,974
Total operating revenues	12,831,601	175,280	13,006,881
Operating expenses			
Salaries	5,637,268	-	5,637,268
Benefits	2,309,546	-	2,309,546
Hospital/medical	979,139	-	979,139
Amortization	29,747	-	29,747
Depreciation	X 1,189,202	-	1,189,202
Food purchases and kitchen supplies	793,890	-	793,890
Utilities	1,025,980	-	1,025,980
Repairs and maintenance	511,229	-	511,229
Payroll taxes	455,352	-	455,352
Inmate support	-	209,511	209,511
Insurance	145,304	-	145,304
Outside services	155,724	-	155,724
Other supplies	87,277	-	87,277
Administrative	105,161	-	105,161
Inmate supplies	34,751	-	34,751
Uniforms	38,998	-	38,998
Miscellaneous	66,034	-	66,034
Total operating expenses	13,564,602	209,511	13,774,113
Operating loss	(733,001)	(34,231)	(767,232)
Nonoperating income (expense)			
Gain on sale of fixed assets	60	-	60
Interest income	-	991	991
Interest expense	(179,188)	-	(179,188)
Change in net assets	X (912,129)	(33,240)	(945,369)
Net assets, beginning of year	12,433,755	436,559	12,870,314
Net assets, end of year	$11,521,626	$ 403,319	$11,924,945

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

Western Tidewater Regional Jail Authority

Statement of Cash Flows - Enterprise Funds

Year Ended June 30, 2012

	Operating Fund	Canteen Fund	Total
Cash flows from operating activities			
Receipts from customers and users	$12,689,421	$ 169,502	$12,858,923
Other operating revenue	389,974	-	389,974
Payments to suppliers	(3,281,450)	(205,644)	(3,487,094)
Payments to employees	(7,904,500)	-	(7,904,500)
Payments to agencies	(455,352)	-	(455,352)
Other operating expenses	(581,483)	-	(581,483)
Net cash provided by (used in) operating activities	856,610	(36,142)	820,468
Cash flows from capital and related financing activities			
Acquisition of property, plant and equipment	(2,880,739)	-	(2,880,739)
Interest paid	(179,188)	-	(179,188)
Principal payments on long-term debt	(363,000)	-	(363,000)
Net cash used in capital and related financing activities	(3,422,927)	-	(3,422,927)
Cash flows from investing activities			
Interest received	-	991	991
Net decrease in cash and cash equivalents	(2,566,317)	(35,151)	(2,601,468)
Cash and cash equivalents, beginning of year	4,667,675	404,748	5,072,423
Cash and cash equivalents, end of year	$ 2,101,358	$ 369,597	$ 2,470,955
Reconciliation of operating loss to net cash provided by (used in) operating activities			
Operating loss	$ (733,001)	$ (34,231)	$ (767,232)
Adjustments to reconcile to net cash provided by (used in) operating activities			
Depreciation	1,189,202	-	1,189,202
Amortization	29,747	-	29,747
Gain on sale of assets	60	-	60
Change in accounts receivable	18,540	(5,778)	12,762
Change in prepaid expenses	(4,280)	-	(4,280)
Change in accounts payable	84,774	3,867	88,641
Change in accrued expenses	42,314	-	42,314
Change in deferred revenue	229,254	-	229,254
Net cash provided by (used in) operating activities	$ 856,610	$ (36,142)	$ 820,468

Western Tidewater Regional Jail Authority

Statement of Fiduciary Assets and Liabilities

June 30, 2012

	Agency Funds		
	Inmate Fund	**Work Release Fund**	**Total**
Assets			
Cash	$ 70,605	$ 24,355	$ 94,960
Liabilities			
Due to inmates	$ 9,020	$ 24,355	$ 33,375
Due to Canteen Fund	61,585	-	61,585
	$ 70,605	$ 24,355	$ 94,960

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

1. Organization and Nature of Activities

Western Tidewater Regional Jail Authority (Authority) was created as a political subdivision of the Commonwealth of Virginia jointly by the cities of Suffolk (59.3%), Franklin (6.8%), and the County of Isle of Wight (33.9%), (Member Jurisdictions) under the Jail Authorities Act, Code of Virginia. The Authority has the responsibility to finance the acquisition, construction, equipping, and maintenance of a facility to operate for the benefit of the Member Jurisdictions; as such, it is exempt from federal and state income taxes.

In addition to the Member Jurisdictions' capital contributions of $10.1 million based on their participation percentages, the Commonwealth of Virginia provided $8.8 million of funding for the construction of the facility. The Member Jurisdictions each appoint three members and an alternate to the Board of Directors, which oversees the operations of the Authority.

Facility construction began in March 1991 and the Authority began accepting inmates in July 1992. A new cell block was constructed and placed into service during 2000, which increased the facility rating to 552 beds. The Authority houses prisoners from all three Member Jurisdictions, other jurisdictions and federal prisoners.

Funding for the Authority is provided by the State Compensation Board, the federal government and other jurisdictions. Operational funding surpluses are shared by Member Jurisdictions as they contributed to the construction of the project. Deficiencies are shared by Member Jurisdictions based on the inmate days utilized by each jurisdiction.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, net assets, revenues, and expenses.

The accrual basis of accounting is followed by the enterprise funds. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. Agency funds are accounted for on a modified accrual basis.

The various funds are summarized by type in the financial statements. The following are used by the Authority:

Enterprise Funds

Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through charges to those who are provided the services. The Operating Fund and the Canteen Fund comprise the Authority's Enterprise Funds.

2. Summary of Significant Accounting Policies *(continued)*

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Inmate Fund and the Work Release Fund comprise the Authority's Agency Funds.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are stated at cost which approximates market. Interest income is recorded when earned. All highly liquid investments with purchased maturities of three months or less are considered to be cash equivalents.

Property, Plant and Equipment

Property, plant and equipment purchased by the Authority is recorded at cost. Depreciation is calculated using the straight-line method over estimated useful lives of the assets, as follows:

Building and improvements	30 years
Land improvements	30 years
Machinery, equipment and office furniture	5 - 8 years

Vacation and Sick Pay

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees accumulate vacation subject to certain limitations and unused vacation earned may, upon retirement, termination or death, be compensated at specified rates. Eligible employees with five or more consecutive years of vested service with the Authority, who retire or depart from service under favorable conditions, shall be paid for 25% of their sick leave balance, not to exceed a total payment of $2,500. Management has elected to record the amount of sick time required to be paid out for all eligible employees as a liability. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the Enterprise Funds. The amount of vacation recognized is the amount earned.

3. Deposits and Investments

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, and 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).

3. Deposits and Investments *(continued)*

Deposits

At year-end, the carrying value of the Authority's deposits with banks and savings and loan institutions was $2,013,817, and the bank balance was $2,018,765. The bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. 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. If any member financial institution fails, the entire collateral becomes available to satisfy the claims of the Authority. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro-rata basis to the members (banks and savings and loans) of the pool. Therefore, these deposits are considered collateralized and, as a result, are considered insured. Restricted cash and equivalents of $339,019 is invested in the State Non-Arbitrage Program (SNAP). SNAP funds are rated AAAm by Standards & Poor's.

Investments

At June 30, 2012, $213,079 of the Authority's investment balance is in time deposits which carry interest at a rate of .45% with maturities of one year or less. For cash flow purposes these investments are treated as cash and cash equivalents.

4. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Building	$25,097,358	$ -	$ -	$25,097,358
Land	37,455	-	-	37,455
Land improvements	757,863	-	-	757,863
Machinery and equipment	1,011,437	323,058	(177,844)	1,156,651
Construction in progress	596,082	2,557,681	-	3,153,763
Office furniture	76,725	-	(1,723)	75,002
	27,576,920	2,880,739	(179,567)	30,278,092
Less accumulated amortization and depreciation	(13,700,967)	(1,189,202)	179,567	(14,710,602)
	$ 13,875,953	$ 1,691,537	$ -	$ 15,567,490

5. Retirement Plan

Plan Description - The Authority contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. All Authority employees are covered by the VRS.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service.

Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 with five years of service for participating local law enforcement officers, sheriffs, and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating local law enforcement officers, sheriffs, and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full-time retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, sheriffs, and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the year ended June 30, 2012 was 15.73% of the annual covered payroll.

Annual Required Contribution (ARC) - For the year ended June 30, 2012, the Authority's annual pension cost of $1,068,652 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation. The actuarial assumptions included (a) a rate of return on the investment of 7.0%, (b) projected salary increases ranging from 3.75% to 5.6%, and (c) cost-of-living adjustments of 2.5%. Both (a) and (b) included an inflation component of 2.50%.

5. **Retirement Plan** *(continued)*

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
June 30, 2010	$ 884,151	100%	$ -
June 30, 2011	$ 1,012,789	100%	$ -
June 30, 2012	$ 1,068,652	100%	$ -

Funded Status and Funding Progress - As of December 23, 2011, the most recent actuarial valuation date for the fiscal year ended June 30, 2011, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$	18,873,691
Less actuarial value of plan assets		15,452,120
Unfunded actuarial accrued liability (UAAL)	$	3,421,571
Funded ratio (actuarial value of plan assets/AAL		81.87%
Covered payroll	$	6,233,361
UAAL as a percentage of covered payroll		54.89%

The Schedule of Funding Progress, presented as RSI following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional information as of the latest actuarial valuation follows:

1. Valuation date	June 30, 2011
2. Actuarial cost method	Entry Age Normal
3. Amortization method	Level Percent, Open
4. Payroll growth rate	3.0%
5. Remaining amortization period	30 Years (decreasing by one each year in subsequent valuations until reaching 20 years)
6. Asset valuation method	Five-Year Smoothed Market Value
7. Actuarial assumptions:	
a. Investment rate of return*	7.0%
b. Projected salary increases*	
1) Non - LEO	3.75% to 5.6%
2) LEO employees	3.5% to 4.75%
c. Cost-of-living adjustment	
1) Plan 1 members	2.5%
2) Plan 2 members	2.25%

* Includes inflation of 2.5%

6. Deferred Compensation Plan

The Authority provides an approved deferred compensation plan (Plan) under Section 457 of the Internal Revenue Code. All Authority employees are eligible to participate and may elect to defer up to 25% of their gross income up to a maximum of $15,000 per year for employees under 50 years of age and $20,000 for employees 50 or older. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan are administered by a third-party administrator, ICMA Retirement Corporation.

In compliance with the provisions of the IRC Section 457(g), the Plan assets are in custodial accounts for the exclusive benefit of the Plan's participants and beneficiaries. Consequently, these assets and the related liability are not reported in the accompanying financial statements in compliance with governmental accounting standards for deferred compensation plans.

7. Long-term Liabilities

On May 10, 2011, the Authority issued $2,638,000 of Revenue and Refunding Bonds, Series 2011A and $3,773,000 of Revenue and Refunding Bonds, Series 2011B to refund the Authority's Revenue and Refunding Bonds, Series 2008 and provide funds for capital improvements.

As of June 30, 2012, the Authority's bonds payable consisted of the following:

Year Issued	Description	Interest Rate	Amount Outstanding
2011	Revenue and Refunding Bond - Series 2011A	2.930%	$ 2,325,000
2011	Revenue and Refunding Bond - Series 2011B	3.710%	3,723,000
			$ 6,048,000

Following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Due Within One Year
Long-term liabilities					
Revenue and refunding bonds	$ 6,411,000	$ -	$ (363,000)	$ 6,048,000	$ 502,000
	6,411,000	-	(363,000)	6,048,000	502,000
Deferred amounts					
Less refunding costs	(88,003)		19,652	(68,351)	(19,651)
Less deferred loss on refunding	(30,285)	-	10,095	(20,190)	(10,095)
Total long-term liabilities	$ 6,292,712	$ -	$ (333,253)	$ 5,959,459	$ 472,254

7. Long-term Liabilities *(continued)*

The annual requirements to amortize to maturity the bonds payable with specified maturities that is outstanding as of June 30, 2012 are as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 502,000	$ 198,119	$ 700,119
2014	520,000	181,568	701,568
2015	537,000	164,437	701,437
2016	556,000	146,712	702,712
2017	568,000	128,487	696,487
2018-2022	2,071,000	393,759	2,464,759
2023-2026	1,294,000	98,241	1,392,241
	$ 6,048,000	$ 1,311,323	$ 7,359,323

8. Contract Obligations

The Authority also has a three-year cancelable agreement with Aramark Correction Services, LLC to provide food service for the jail inmates at a cost to the Authority of .905¢ to $1.176 per meal per inmate depending on the number of inmates beginning December 2010, and is renewable by the Authority for two, 24-month extensions. In December 2010, the agreement was extended until December 2013. Per meal prices or each subsequent 12-month period are increased on each anniversary of the Effective Date by the yearly percentage change in CPI-FAH. Future minimum obligations based on fiscal year 2012 average inmates, for these agreements are as follows:

2013	$ 440,309

9. Contingencies

The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the disposition of these claims will not have a material adverse impact on the Authority.

10. Economic Dependence

The majority of operating revenues are received from the federal government and the State of Virginia.

Western Tidewater Regional Jail Authority

Schedule of Funding Progress for Defined Benefit Pension Plan (Unaudited)

Year Ended June 30, 2012

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability As Percentage of Payroll
June 30, 2009	$ 13,607,135	$ 14,471,636	$ 864,501	94.03%	$5,872,769	14.72%
June 30, 2010	$ 14,347,803	$ 17,280,312	$2,932,509	83.03%	$6,074,520	48.28%
June 30, 2011	$ 15,452,120	$ 18,873,691	$3,421,571	81.87%	$6,233,361	54.89%

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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*

Board of Directors
Western Tidewater Regional Jail Authority

We have audited the financial statements of Western Tidewater Regional Jail Authority (the "Authority") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weakness, as defined above.

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

This report is intended solely for the information and use of, management, the Board of Directors, member jurisdictions, state and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specific parties.

Cherry, Bekaert & Holland, LLP

Virginia Beach, Virginia
September 13, 2012