

Pamunkey Regional Jail Authority

Hanover County, Virginia

Comprehensive Annual Financial Report



**For the years ended June 30, 2013
and 2012**

**Colonel James C. Willett, CJM
Superintendent**

**Major Mary N. White, CJM
Deputy Superintendent**

**Mr. F. Keith Spicer, CPA
Accounting Manager**

PAMUNKEY REGIONAL JAIL AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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PAMUNKEY REGIONAL JAIL AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION
(unaudited)



PAMUNKEY REGIONAL JAIL

October 24, 2013

The Honorable Members of the
Pamunkey Regional Jail Authority Board
Hanover, VA 23069

Dear Authority Board Members:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Pamunkey Regional Jail Authority (Jail Authority) for the fiscal year ended June 30, 2013. The report was prepared by the Superintendent and the Accounting Manager, who assume full responsibility for the accuracy of information, and the completeness and fairness of preparation. We believe the financial information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations as measured by the financial activity of the Jail Authority's Enterprise Funds. This letter should be read in conjunction with the *Management's Discussion and Analysis*, which can be found in the Financial Section of the CAFR.

FINANCIAL REPORTING ENTITY

The Jail Authority is required to undergo an annual audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The Jail Authority, a political subdivision of the Commonwealth of Virginia, was authorized by Chapter 726 of the 1990 Acts of the General Assembly of Virginia and formed on December 30, 1992. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. In an agreement between the County of Hanover (the "County") and the Jail Authority, the County serves as fiscal agent for the Jail Authority for which the Jail Authority reimburses the County for services provided in the areas of purchasing, finance, personnel and data processing; however, the Jail Authority formulates and approves its own budget. Complete financial

Serving the following
Localities:
Hanover County
Caroline County
Town of Ashland

James C. Willett, CJM
Superintendent

7240 Courtland Farm Rd.
Hanover, VA 23069
(804) 537-6400
(804) 537-6418 Fax



statements for the County of Hanover can be obtained from the County's Director of Finance at P.O. Box 470, Hanover, Virginia 23069.

The general purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions. The facility has 437-beds, consisting of 403 general-purpose beds, a 16-bed work release center, a 6-bed medical infirmary and 12 special management cells. The Jail's core services such as the infirmary, kitchen, and laundry services are designed for future expansion to accommodate a total inmate population of 665.

The legislation that created the Jail Authority requires there be a service agreement between the Jail Authority and its participating jurisdictions. The service agreement is a long-term contract regulating usage of the Jail Authority and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides a basis for the issuance of revenue bonds to fund the final design and construction of the Jail. The board members of the Jail Authority signed the Service Agreement on April 7, 1995.

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

ECONOMIC CONDITIONS

Serving the member jurisdictions as Pamunkey Regional Jail does, the overall inmate population is indirectly related to the populations of these localities. Caroline County, Hanover County and the Town of Ashland are all areas that are continually experiencing growth and increased development. This, in turn, serves as an indicator for the number of persons likely to be incarcerated from those jurisdictions.

Hanover County's population growth rate is expected to be approximately 1.0%, with a total population of 102,623 estimated for 2013. These figures include the Town of Ashland. Caroline County's population growth rate is expected to be 2.0%, with a total population of 28,972 estimated for 2013.

The local inmate population for the past year was 399. Projections for the upcoming 2014 fiscal year are 399 and by the 2015 fiscal year, we anticipate an inmate population of approximately 400.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Over the past year, many accomplishments were realized within Pamunkey Regional Jail. The Jail received 100% compliance for the fifteenth consecutive year by the Board of Corrections.

Once again, the staff of the Pamunkey Regional Jail continues to give back to the community. Over the course of the past year, the charitable and community-based outreach activities have continued to make the facility shine amongst the citizens of our user jurisdictions. Our participation with the Special Olympics continued again this year. Several members of our Emergency Response Team participated in the Law Enforcement Torch Run. These dedicated staff members toughed out the heat and extreme humidity to represent our facility in this worthy cause. We also continued our support of the Special Olympics of Virginia by having several staff members volunteer at their annual fundraising event at the North Richmond Harley Davidson dealership located just outside of Ashland, with all proceeds donated to the Special Olympics.

The facility also continues to give back to the community through a partnership with the Hanover County and Caroline County Departments of Social Services. During the holiday season, the staff of the Pamunkey Regional Jail participates in the “Adopt-a-Family” program that benefits local families in need of assistance. We have found this program to be a great success which allows us to give back to the citizens of our user jurisdictions and shed a positive light on our organization. We strive to maintain a high level of professionalism with the Law Enforcement Community. Senior Public Safety Staff Meetings and User Group meetings with our localities have broadened the presence of our facility in the Law Enforcement Community and increased cooperation with the Sheriff’s Offices, Courts, and Magistrates of the jurisdictions in which we serve.

FINANCIAL INFORMATION AND CONTROLS

The Jail Authority’s management is responsible for establishing and maintaining internal controls sufficient to ensure safeguarding of assets. In developing and evaluating the Jail Authority’s accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and the benefits requires estimates and judgments by management.

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

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

The Jail Authority usually initiates its annual operating budget preparations in September of each fiscal year (July 1 through June 30). The Accounting Manager, with input from other departments, prepares a draft budget for the Jail Authority to review. After the initial review, a final budget is submitted to the Jail Authority by January 1 of each year.

INVESTMENT MANAGEMENT

The Hanover County Treasurer is responsible for investing the Jail Authority’s funds. Investments and deposits during the year consisted of a variety of securities, durations and increments as allowable by the Code of Virginia and further restricted by the County’s investment policy. The allowable investments include savings accounts, certificates of deposit, U.S. government agency securities, corporate notes, banker’s acceptances, commercial paper, money market accounts, mutual funds, state bonds, local bonds, mortgage-backed securities and repurchase agreements. The Hanover County Treasurer and Board of Supervisors have a jointly adopted investment policy that seeks to safeguard principal, meet liquidity objectives and seek fair value rates of returns. The Jail Authority’s funds are managed in accordance with this policy.

Investment income earned for the fiscal year for the Jail Authority's operating funds was \$78,129 representing a decrease of \$47,693 from fiscal year 2012. This decrease was attributable to the market return rates decreasing from the prior fiscal year.

INDEPENDENT AUDIT

The certified public accounting firm of KPMG LLP has audited the Jail Authority's June 30, 2013 financial statements. Their opinion on the financial statements is presented in the financial section of this report.

AWARDS

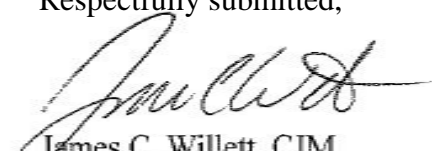
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Pamunkey Regional Jail for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the eleventh consecutive year that the Jail has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Jail Authority published 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


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

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

Respectfully submitted,



James C. Willett, CJM
Superintendent



F. Keith Spicer, CPA
Accounting Manager

**Pamunkey Regional Jail Authority Members
Fiscal Year 2013**

Chairman Charles Hartgrove
Ashland Town Manager

Vice Chairman Alan Partin
Caroline County Assistant Administrator

Other Members

Tony Lippa
Caroline County Sheriff

Jim Taylor
Hanover County Assistant Administrator

Dave Hines
Colonel, Hanover County Sheriff

Legal Counsel

William H. Hefty, Esq.



Government Finance Officers Association

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

Presented to

**Pamunkey Regional Jail
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

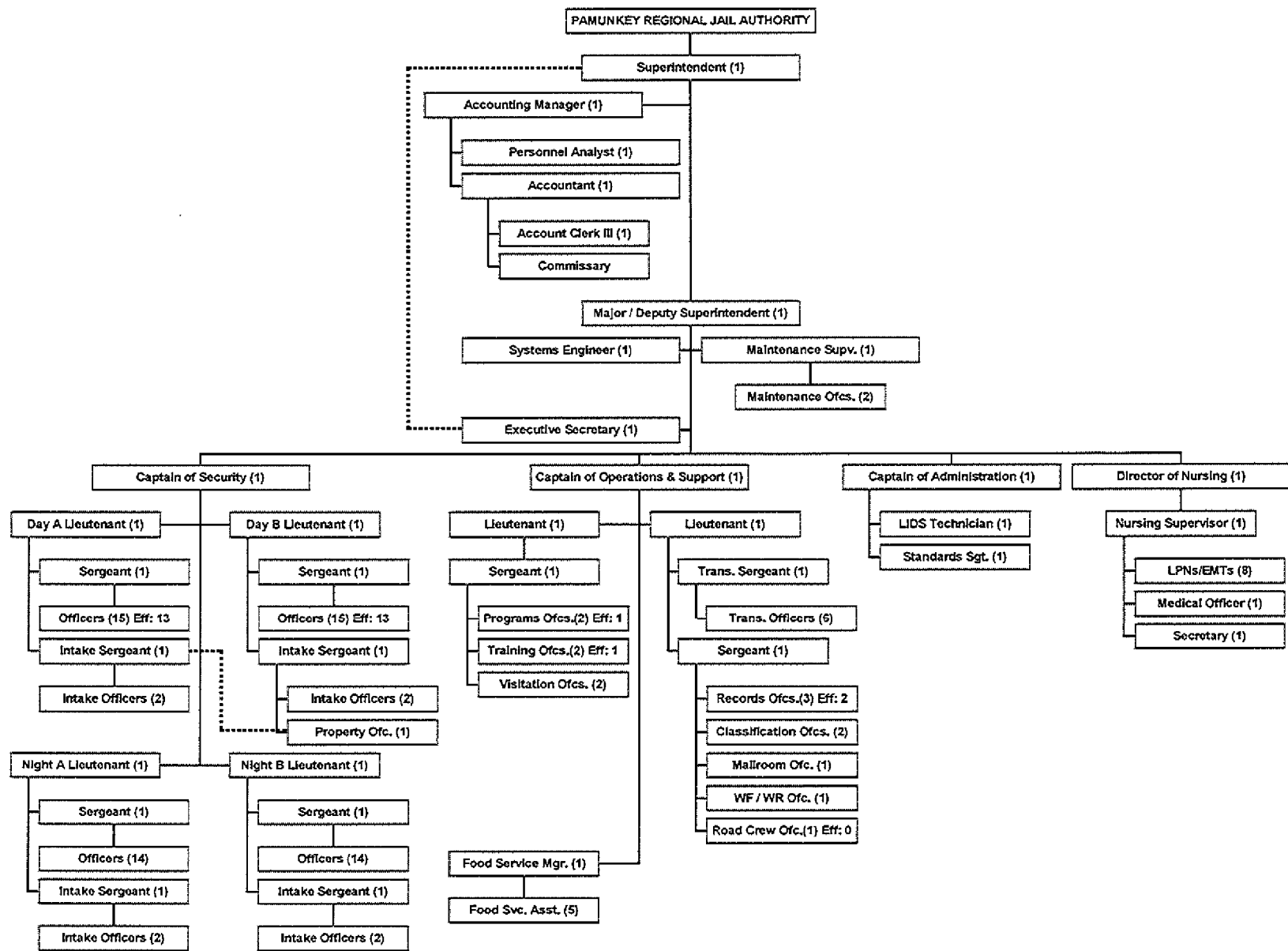
June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

Pamunkey Regional Jail

Organizational Structure 7/1/2013



FINANCIAL SECTION



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Honorable Members of the
Pamunkey Regional Jail Authority Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Pamunkey Regional Jail Authority (the Jail Authority), a political subdivision of the Commonwealth of Virginia, as of and for the years ended June 30, 2013 and 2012, and the related notes to the 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits 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* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pamunkey Regional Jail Authority as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matters***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 7, the Schedule of Funding Progress – Virginia Retirement System on page 25, and the Schedule of Funding Progress – Other Postemployment Benefits on page 26 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 audits 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements. The supplementary information included in the Introductory Section and Statistical Section as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013 on our consideration of the 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 the 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 the Jail Authority's internal control over financial reporting and compliance.

KPMG LLP

October 24, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The financial statements of the Pamunkey Regional Jail Authority (Jail Authority) include all business activities and include notes to the financial statements that explain and provide detail data on information in the financial statements.

The following is management's discussion and analysis of the Jail Authority's financial performance for the years ended June 30, 2013 and 2012. It should be read in conjunction with the letter of transmittal in the Introductory Section, the Jail Authority's financial statements and supplemental information included in the Financial Section and financial performance in the Statistical Section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2013:

- The Jail Authority's net position increased \$808,088 in fiscal year 13.
- The total revenues of the Jail Authority increased \$227,491, or 1.9% from fiscal year 12. This is primarily due to the increase in revenue from the localities bed rental revenue as a result of an increase in the average number of inmates housed.
- Total expenses in FY13 decreased by \$90,806, or 0.8% primarily from a decrease in medical service costs.

Fiscal Year 2012:

- The Jail Authority's net position increased \$489,792 in fiscal year 12.
- The total revenues of the Jail Authority increased \$228,442, or 1.9% from fiscal year 11. This is primarily due to the increase in revenue from the localities bed rental revenue, due to an increase in the locality's per diem rate.
- Total expenses in fiscal year 12 decreased by \$50,074, or .4% primarily from a decrease in food services and medical service costs.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Jail Authority's financial statements. The Jail Authority's financial statements consist of the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. The first two statements report the net position and how they have changed during the year. Net position is the difference between the total assets and total liabilities of the Jail Authority. Measuring net position is one way to gauge the Jail Authority's financial condition.

The following table summarizes the net position of the Jail Authority at June 30, 2013, 2012, and 2011:

NET POSITION

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets			
Cash and cash equivalents with fiscal agent	\$ 3,795,272	\$ 3,287,470	\$ 3,556,590
Receivables	745,506	827,238	665,238
Total Current Assets	<u>4,540,778</u>	<u>4,114,708</u>	<u>4,221,828</u>
Noncurrent Assets			
Cash and cash equivalents with fiscal agent	4,416,426	4,416,426	4,416,426
Capital assets, net	15,722,572	16,540,160	17,078,526
Total Noncurrent Assets	<u>20,138,998</u>	<u>20,956,586</u>	<u>21,494,952</u>
Total Assets	<u><u>24,679,776</u></u>	<u><u>25,071,294</u></u>	<u><u>25,716,780</u></u>
Liabilities			
Current Liabilities			
Accounts payable	145,185	160,169	118,299
Accrued liabilities	291,077	255,557	264,195
Arbitrage liability	33,540	16,177	62,164
Current portion of compensated absences	30,805	25,122	33,460
Current portion of revenue bonds	1,375,000	1,300,000	1,275,000
Accrued bond interest	190,130	206,670	221,762
Total Current Liabilities	<u>2,065,737</u>	<u>1,963,695</u>	<u>1,974,880</u>
Long-Term Liabilities			
Revenue bonds	7,543,859	8,870,631	10,028,183
Compensated absences	573,251	548,128	514,669
Total Long-Term Liabilities	<u>8,117,110</u>	<u>9,418,759</u>	<u>10,542,852</u>
Total Liabilities	<u><u>10,182,847</u></u>	<u><u>11,382,454</u></u>	<u><u>12,517,732</u></u>
Net Position			
Net investment in capital assets	6,803,713	6,369,529	5,775,343
Restricted	4,416,426	4,416,426	4,416,426
Unrestricted	3,276,789	2,902,885	3,007,279
Total Net Position	<u><u>\$ 14,496,928</u></u>	<u><u>\$ 13,688,840</u></u>	<u><u>\$ 13,199,048</u></u>

Overall net position increased 5.9% in 2013 and increased 3.7% in 2012, with unrestricted net position increasing 12.9% for 2013 and decreasing 3.5% for 2012.

REVENUES

Operating and non-operating revenues for the Jail Authority totaled \$12,394,905 for the year ended June 30, 2013, which equates to a \$227,490 increase over fiscal year 2012. Of this total, per-diem billings to member jurisdictions totaled \$6,690,670, or 54 percent of total revenues. Per-diem billings to non-member jurisdictions totaled \$1,563,701 and accounted for 9 percent of total revenues. Non-inmate revenues totaled \$4,140,534, or 37 percent of total revenues.

Operating and non-operating revenues for the Jail Authority totaled \$12,167,415 for the year ended June 30, 2012, which equates to a \$228,442 increase over fiscal year 2011. Of this total, per-diem billings to member jurisdictions totaled \$6,511,454 or 54 percent of total revenues. Per-diem billings to non-member jurisdictions totaled \$1,611,696 and accounted for 13 percent of total revenues. Non-inmate revenues totaled \$4,044,267, or 33 percent of total revenues.

A summary of revenues for the years ended June 30, 2013, 2012 and 2011 is provided in the following tabulation:

Revenue Classification	2013	2012	2011
Operating Revenues			
Hanover County	\$ 4,419,103	\$ 4,552,497	\$ 4,325,187
Town of Ashland	225,856	255,231	290,355
Caroline County	2,045,711	1,703,726	1,621,603
Subtotal	6,690,670	6,511,454	6,237,145
United States Marshal's Service	1,073,975	1,387,103	1,873,362
Immigration/Naturalization Service	5,778	11,610	49,950
Federal Bureau of Prisoners	6,264	6,912	7,452
Other Local and Regional Jails	33,630	61,713	1,674
Sub Total	1,119,647	1,467,338	1,932,438
Work Release	6,526	3,089	14,530
Miscellaneous Income	653,581	524,970	374,029
Subtotal	660,107	528,059	388,559
Total Operating Revenues	8,470,424	8,506,851	8,558,142
Nonoperating Revenue			
Compensation Board	3,402,299	3,390,387	3,398,979
Commonwealth of Virginia	444,054	144,355	(150,709)
Interest income	78,129	125,822	132,561
Total Non-operating Revenues	3,924,482	3,660,564	3,380,831
Total Revenues	\$ 12,394,906	\$ 12,167,415	\$ 11,938,973

EXPENSES

Operating and non-operating expenses totaled \$11,586,817 for the year ended June 30, 2013, which represents a \$90,806 decrease over fiscal year 2012. Of this amount, salaries and employee benefits totaled \$7,593,231, medical services and supplies totaled \$361,808, food service and supplies totaled \$435,372 and interest expense on debt totaled \$384,129.

Operating and non-operating expenses totaled \$11,677,623 for the year ended June 30, 2012, which represents a \$50,074 increase over fiscal year 2011. Of this amount, salaries and employee benefits totaled \$7,543,670, medical services and supplies totaled \$425,074, food service and supplies totaled \$403,344 and interest payments on debt totaled \$417,209.

Summary expense data for the years ended June 30, 2013, 2012 and 2011 is presented in the following tabulation:

Expense Classification	2013	2012	2011
Operating Expenses:			
Personal services	\$ 5,482,688	\$ 5,311,451	\$ 5,369,555
Fringe benefits	2,110,543	2,232,219	2,104,612
Contractual services	1,168,349	1,108,891	1,022,231
Materials and supplies	403,458	504,617	535,012
Medical services and supplies	361,808	425,074	530,150
Food services and supplies	435,372	403,344	422,196
Utilities	395,561	426,420	439,982
Depreciation	844,908	848,398	856,564
Total Operating Expenses	11,202,687	11,260,414	11,280,302
Total Non-operating Expenses			
Interest expense	384,129	417,209	447,395
Total Expenses	11,586,817	11,677,623	11,727,697
Total excess of revenues and expenses	808,088	489,792	211,277
Total net position, beginning of year	13,688,840	13,199,048	12,987,771
Total net position, end of year	\$ 14,496,928	\$ 13,688,840	\$ 13,199,048

FINANCIAL ANALYSIS OF JAIL FUNDS

The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority. Assets are designated as restricted in accordance with debt and other agreements.

Jail Authority operations ended fiscal year 13 with an \$808,088 increase in total net position. Net position increased \$489,792 in fiscal year 12. The increase in fiscal year 13 net position is due to a rise in operational per diem billings from member jurisdictions.

The Jail Authority's cash position remains strong with \$3,795,272 in unrestricted funds.

DEBT ADMINISTRATION

The Jail Authority had total bonded debt outstanding of \$9,185,000 and \$10,485,000 at June 30, 2013 and 2012, respectively. Those amounts are comprised of Jail Facility Revenue Bonds Series 2001 and Series 2003. These bonds were issued to defease the Series 1996 Jail Facility Revenue Bonds that were issued to fund the acquisition, construction and equipping of the Jail. The two refunding issues resulted in an economic gain of \$1,511,644. The proceeds of the bonds were invested in US government securities and deposited in an escrow account. The advance refundings met the requirements for an in-substance defeasance and the term bonds were removed from the Jail Authority's financial statements. For more detailed information on long-term debt activity, refer to Note 5 of the notes to the financial statements.

CAPITAL ASSETS

Operating Fund capital assets with a cost of \$5,000 or more and an economic useful life greater than one year are capitalized and depreciated over their useful lives using the straight-line method. As of June 30, 2013, capital assets, accumulated depreciation and depreciation expense totaled \$28,530,383, \$12,807,811 and \$844,908, respectively. As of June 30, 2012, capital assets, accumulated depreciation and depreciation expense totaled \$28,503,063, \$11,962,903 and \$848,398, respectively. For more detailed information on capital assets activity, refer to Note 3 of the notes to the financial statements.

JAIL AUTHORITY'S PER DIEM RATES

Operational per diem and debt service per diem rates are set for the localities through the annual budget process. The operational per diem rate is calculated by the total operational per diem due from the localities divided by the total number of inmates projected for the year divided by 365 days. The operational per diem rates were \$35.93, \$37.26 and \$37.95 for 2013, 2012 and 2011, respectively.. The debt service per diem rate is calculated by the total debt service divided by the total number of projected inmates for the year divided by 365 days. The debt service per diem rates were \$13.33, \$13.47 and \$14.82 for 2013, 2012 and 2011, respectively. The per diem rate that has been set for all other bed space, such as federal and other local county inmates, is \$54.00.

REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Jail Authority's finances. Should you have any questions about this report or need additional information, please contact the Accounting Manager, 7240 Courtland Farm Road, Hanover, VA 23069.

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Net Position
June 30, 2013 and 2012

ASSETS	2013	2012
Current Assets:		
Cash and cash equivalents with fiscal agent	\$ 3,795,272	\$ 3,287,470
Receivables:		
Due from Federal Government	98,452	156,827
Due from Commonwealth of Virginia - Operations	432,410	400,610
Accrued interest receivable - member jurisdictions	-	47,790
Accounts receivable - member jurisdictions	214,644	222,011
Total Current Assets	4,540,778	4,114,708
Noncurrent assets:		
Restricted cash and cash equivalents with fiscal agent	4,416,426	4,416,426
Capital Assets:		
Nondepreciable assets	70,825	70,825
Depreciable assets, net of accumulated depreciation of \$12,807,811 as of June 30, 2013 and \$11,962,903 as of June 30, 2012	15,651,747	16,469,335
Total Noncurrent Assets	20,138,998	20,956,586
Total assets	\$ 24,679,776	\$ 25,071,294

See accompanying notes to the financial statements.

(continued)

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Net Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 145,185	\$ 160,169
Accrued liabilities	291,077	255,557
Accrued arbitrage liability	33,540	16,177
Current portion of compensated absences	30,805	25,122
Current portion of revenue bonds	1,375,000	1,300,000
Accrued bond interest	<u>190,130</u>	<u>206,670</u>
Total current liabilities	2,065,737	1,963,695
Long-term Liabilities:		
Revenue bonds, net of unamortized deferred loss and bond discount	7,543,859	8,870,631
Compensated absences	<u>573,251</u>	<u>548,128</u>
Total long-term liabilities	<u>8,117,110</u>	<u>9,418,759</u>
Total liabilities	<u>10,182,847</u>	<u>11,382,454</u>
NET POSITION		
Net investment in capital assets	6,803,713	6,369,529
Restricted:		
Debt service and repair reserve - per debt covenant	1,730,501	1,730,501
Operating reserve - per jail service agreement	2,685,925	2,685,925
Unrestricted	<u>3,276,789</u>	<u>2,902,885</u>
Total net position	<u><u>\$ 14,496,928</u></u>	<u><u>\$ 13,688,840</u></u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Charges for services		
County of Hanover	\$ 4,419,103	\$ 4,552,497
Town of Ashland	225,856	255,231
County of Caroline	2,045,711	1,703,726
Charges to other governments	1,119,647	1,467,338
Other	660,107	528,059
Total operating revenues	<u>8,470,424</u>	<u>8,506,851</u>
OPERATING EXPENSES:		
Personal services	5,482,688	5,311,451
Fringe benefits	2,110,543	2,232,219
Contractual services	1,168,349	1,108,891
Other operating expenses and supplies	1,596,201	1,759,455
Depreciation	844,908	848,398
Total operating expenses	<u>11,202,689</u>	<u>11,260,414</u>
Operating loss	(2,732,265)	(2,753,563)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental:		
Revenue from the Commonwealth of Virginia:		
Categorical aid: Shared expenses and fees	3,846,353	3,534,742
Interest income	78,129	125,822
Interest expense	(384,129)	(417,209)
Net nonoperating revenues	<u>3,540,353</u>	<u>3,243,355</u>
Change in net position	808,088	489,792
Total net position, beginning of year	<u>13,688,840</u>	<u>13,199,048</u>
Total net position, end of year	<u>\$ 14,496,928</u>	<u>\$ 13,688,840</u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Charges to governments for inmates	\$ 7,923,854	\$ 7,904,272
Other revenues	660,107	528,059
Payments to suppliers	(2,731,304)	(2,684,028)
Payments to employees	(7,509,547)	(7,573,174)
Net cash used for operating activities	<u>(1,656,890)</u>	<u>(1,824,871)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital asset additions	(27,320)	(310,032)
Principal payments on long-term debt	(1,300,000)	(1,275,000)
Interest paid on long-term debt	<u>(400,670)</u>	<u>(432,301)</u>
Net cash used for capital and related financing activities	<u>(1,727,990)</u>	<u>(2,017,333)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Intergovernmental revenue received	3,814,553	3,447,263
Interest received on cash and cash equivalents	<u>78,129</u>	<u>125,822</u>
Net cash provided by investing activities	<u>3,892,682</u>	<u>3,573,084</u>
Net increase (decrease) in cash and cash equivalents with fiscal agent	507,802	(269,120)
Total cash and cash equivalents with fiscal agent at beginning of year	<u>7,703,896</u>	<u>7,973,016</u>
Total cash and cash equivalents with fiscal agent at end of year	<u><u>\$ 8,211,698</u></u>	<u><u>\$ 7,703,896</u></u>

See accompanying notes to financial statements.

(continued)

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (2,732,265)	\$ (2,753,563)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	844,908	848,398
Amortization	48,228	142,448
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and accrued interest receivable - member jurisdictions	55,159	(48,700)
Due from Federal Government	58,375	(25,820)
Increase (decrease) in:		
Accounts payable	(14,984)	41,870
Accrued liabilities	52,883	(54,625)
Compensated absences	30,806	25,121
Net cash used for operating activities	<u>\$ (1,656,890)</u>	<u>\$ (1,824,871)</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS WITH FISCAL AGENT:		
Cash and cash equivalents with fiscal agent- current	\$ 3,795,272	\$ 3,287,470
Restricted cash and cash equivalents with fiscal agent- noncurrent	4,416,426	4,416,426
Total cash and cash equivalents with fiscal agent	<u>\$ 8,211,698</u>	<u>\$ 7,703,896</u>

See accompanying notes to financial statements.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 1 – Summary of significant account policies

- A. **Reporting Entity** – The Pamunkey Regional Jail Authority (“Jail Authority”), a political subdivision of the Commonwealth of Virginia, was authorized by Chapter 726 of the 1990 Acts of the General Assembly of Virginia and formed on December 30, 1992. The participating jurisdictions of the Jail Authority are the Counties of Caroline and Hanover and the Town of Ashland. The Jail Authority is governed by a five-member board comprised of two members each from the Counties of Caroline and Hanover and one from the Town of Ashland. In an agreement between the County of Hanover the (“County”) and the Jail Authority, the County serves as fiscal agent for the Jail Authority for which the Jail Authority reimburses the County for services provided in the areas of purchasing, finance, personnel and data processing. The Jail Authority is not a component unit of Hanover County and is therefore not reported in Hanover County’s Comprehensive Annual Financial Report as a component unit.
- B. **Financial Statement Presentation** – The financial statements of the Jail Authority are prepared in accordance with U.S. generally accepted accounting principles for an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Jail Authority is that the cost of providing services to the participating jurisdictions be financed or recovered through user charges to participating jurisdictions.
- C. **Basis of Accounting** – The financial statements are presented on the accrual basis of accounting, wherein revenues are recognized when earned and expenses are recognized when incurred.
- D. **Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, deposits in bank and short-term investments with maturities of three months or less when purchased. Cash and cash equivalents also include amounts held in restricted accounts in accordance with the Series 1996 Jail Facility Revenue Bonds, 2001 Jail Facility Revenue Bonds, and 2003 Jail Facility Revenue Bonds.
- E. **Restricted Assets** – The Jail Authority’s restricted assets consists of debt service and operating reserves. Reserves at June 30, 2013 and 2012 were as follows:
- | | <u>2013</u> | <u>2012</u> |
|---------------------------------|--------------|--------------|
| Debt service and repair reserve | \$ 1,730,501 | \$ 1,730,501 |
| Operating reserve | \$ 2,685,925 | \$ 2,685,925 |
- F. **Allowances for Uncollectibles** – In accordance with prior history and given the Jail Authority’s relationship with member jurisdictions, no allowance has been established for uncollectible accounts.
- G. **Capital Assets** – All property, plant and equipment is recorded at cost. The capitalization threshold is \$5,000 with a useful live of greater than one year. Depreciation for operating facilities and equipment is computed over useful lives of 5 to 35 years using the straight-line method and half-year convention. Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized. Interest costs incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction. No interest costs were capitalized during the fiscal years of 2013 and 2012.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 1 – Summary of significant account policies (continued)

The estimated useful lives of the Jail Authority's depreciable capital assets are as follows:

Buildings	35	years
Improvements other than buildings	15	years
Vehicles and Equipment	5	years

- H. **Bond Discounts** – Bond discounts are amortized over the life of the bonds using the straight-line method.

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

- J. **Operating and non-operating revenues and expenses** – The Jail Authority reports as operating revenues charges for bed rentals for inmates from the jurisdictions of Hanover County, Caroline County and the Town of Ashland, as well as bed rentals of federal prisoners from the U.S. Department of Homeland Security and the United States Marshals. The Jail Authority reports categorical aid from the Commonwealth of Virginia as non-operating revenues. The Jail Authority reports as operating expenses those costs such as salaries for personnel to operate the Jail, contractual services for outside contractors and depreciation expense. The Jail Authority reports as non-operating revenue and expense amounts arising from interest earned on cash held and interest incurred on the outstanding debt.

- K. **Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net assets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- L. **Budget** – The Jail Superintendent must annually submit a balanced budget to the Jail Authority in October. The budget denotes per diem rates charged to member jurisdictions, and line item revenues and expenses. The Jail Authority must adopt a final annual budget on or before January 1.

The Jail Authority designates, in accordance with its bond covenants, an operating reserve fund in each of its annual budgets in an amount equal to not less than 90 days of its projected annual budget for each year less debt service. This operating reserve amounted to \$2,685,925 at June 30, 2013 and 2012.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 1 – Summary of significant account policies (continued)

- M. **Risk Management** – The Jail Authority’s risk management program involves maintaining comprehensive insurance coverage and identifying and monitoring loss exposure. The Jail Authority’s comprehensive property, boiler and machinery, automobile, business interruption, inland marine and worker’s compensation insurance is provided through the Virginia Association of Counties (VACO).

General liability and faithful performance of duty bond coverage’s are provided by the Commonwealth of Virginia, Department of General Services, and Division of Risk Management. There was no reduction in insurance coverage for the year ended June 30, 2013.

- N. **New Accounting Pronouncement** – In June 2011, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB Statement No. 63). This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, respectively. The Jail Authority retroactively implemented the provisions of GASB Statement No. 63 in fiscal year 2013 by replacing the previous term “net assets” with the new term “net position” in the accompanying financial statements.

Note 2 – Cash and Cash Equivalents with Fiscal Agent

Hanover County acts as a fiscal agent for the Jail Authority. Accordingly, the Jail Authority follows the deposit and investment guidelines of the County. As of June 30, 2013, the Jail Authority’s carrying value of deposits and investments as part of the Hanover County pooled cash and investments was \$8,211,698.

All cash of the Jail Authority is maintained by the fiscal agent 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. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

In accordance with Section 2.2-4500 of the Code of Virginia and other applicable law and regulations, the County’s investment policy (the “Policy”) permits investments in obligations of the United States or agencies thereof; held directly, by collateralized repurchase agreement, or in mutual funds registered under the Investment Company Act of 1940, whose portfolios are restricted to U.S. and U.S. agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper, certain corporate notes, banker’s acceptances, and repurchase agreements, savings accounts or time deposits in approved banks or savings institutions within the Commonwealth, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 3 – Capital Assets

The following schedules denote the changes in capital assets for the years ended June 30, 2013 and 2012:
June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 70,825	\$ -	\$ -	\$ 70,825
Total non depreciable assets	70,825	-	-	70,825
Capital assets being depreciated:				
Buildings	27,020,273	-	-	27,020,273
Improvements other than buildings	719,404	-	-	719,404
Vehicles and Equipment	692,561	27,320	-	719,881
Total capital assets being depreciated	28,432,238	27,320	-	28,459,558
Accumulated depreciation:				
Buildings	11,194,104	772,008	-	11,966,112
Improvements other than buildings	135,573	46,288	-	181,861
Vehicles and Equipment	633,226	26,612	-	659,838
Total accumulated depreciation	11,962,903	844,908	-	12,807,811
Total capital assets being depreciated (net)	16,469,335	(817,588)	-	15,651,747
Total capital assets, net	\$ 16,540,160	\$ (817,588)	\$ -	\$ 15,722,572

June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 70,825	\$ -	\$ -	\$ 70,825
Total non depreciable assets	70,825	-	-	70,825
Capital assets being depreciated:				
Buildings	27,020,273	-	-	27,020,273
Improvements other than buildings	409,372	310,032	-	719,404
Vehicles and Equipment	692,561	-	-	692,561
Total capital assets being depreciated	28,122,206	310,032	-	28,432,238
Accumulated depreciation:				
Buildings	10,422,097	772,007	-	11,194,104
Improvements other than buildings	99,621	35,952	-	135,573
Vehicles and Equipment	592,787	40,439	-	633,226
Total accumulated depreciation	11,114,505	848,398	-	11,962,903
Total capital assets being depreciated (net)	17,007,701	(538,366)	-	16,469,335
Total capital assets, net	\$ 17,078,526	\$ (538,366)	\$ -	\$ 16,540,160

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 4 – Interest Payable

Accrued bond interest payable totaled \$190,130 and \$206,670 at June 30, 2013 and 2012, respectively. This amount is related to the Jail Authority's share of the Series 1996, 2001 and 2003 Jail Facility Revenue Bonds. Accrued interest payable will be paid from restricted cash.

Note 5 – Revenue Bonds Payable

Series 2003 Jail Facility Revenue Bonds. On July 1, 2003, the Jail Authority issued \$6,305,000 Jail Facility Refunding Bonds, Series 2003, to advance refund a portion of the Jail Authority's \$21,745,000 Jail Facility Revenue Bonds, Series 1996. The total proceeds of the bond issue were expended as follows: \$36,401 was deposited in a special account created for the payment of the costs of issuing the Bonds, \$6,268,599 was deposited in an escrow fund with the Jail Authority's trustee, SunTrust Bank, to defease and refund \$5,470,000 of the 1996 bonds on July 1, 2006, the redemption date, and to pay the interest coming due on all of the 1996 bonds until this redemption date.

As a result of the advance refunding, the Jail Authority reduced its total debt service requirements by \$411,540, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$368,711.

Series 2001 Jail Facility Revenue Bonds. On November 11, 2001, the Jail Authority issued \$10,000,000 of Series 2001 jail facility revenue bonds with an interest rate of 4.14% to advance refund a portion of the series 1996 revenue bonds with an interest rate of 5.75%. The series 2001 jail facility revenue bonds were issued at par and after paying issuance costs of \$43,416, the net proceeds were \$9,956,584. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited in an escrow account with the Jail Authority Trustee, SunTrust Bank, to provide debt service payments until the term bonds were called on July 1, 2006. The advance refunding met the requirements of an in-substance debt defeasance, and the term bonds were removed from the Jail Authority's financial statements.

As a result of the advance refunding, the Jail Authority reduced its total debt service requirements by \$1,401,452, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,142,933.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 5 – Revenue Bonds Payable (continued)

The following schedules reflect changes in long-term liabilities for the years ended June 30, 2013 and 2012:

June 30, 2013:

	Balance June 30, 2012	Increase	Decrease	Balance June 30, 2013
Series 2001				
Advance refunding revenue bonds	\$ 9,370,000	\$ -	\$ 185,000	\$ 9,185,000
Series 2003				
Advance refunding revenue bonds	1,115,000	-	1,115,000	-
Total revenue bonds	10,485,000	-	1,300,000	9,185,000
Less:				
Unamortized bond discount	3,870	-	3,870	-
Deferred loss-retirement of Series 1996 debt	310,499	-	44,358	266,141
Total	10,170,631	-	1,251,772	8,918,859
Other postemployment benefits	-	19,840	-	19,840
Compensated absences	573,250	76,047	45,241	604,056
Less amounts due within one year	(1,325,122)	-	100,523	(1,425,645)
Total Long-term Liabilities	\$ 9,418,759	\$ 95,887	\$ 1,397,536	\$ 8,117,110

June 30, 2012:

	Balance June 30, 2011	Increase	Decrease	Balance June 30, 2012
Series 2001				
Advance refunding revenue bonds	\$ 9,430,000	\$ -	\$ 60,000	\$ 9,370,000
Series 2003				
Advance refunding revenue bonds	2,330,000	-	1,215,000	1,115,000
Total revenue bonds	11,760,000	-	1,275,000	10,485,000
Less:				
Unamortized bond discount	7,739	-	3,869	3,870
Deferred loss-retirement of Series 1996 debt	449,078	-	138,579	310,499
Total	11,303,183	-	1,132,552	10,170,631
Compensated Absences	548,129	77,464	52,343	573,250
Less amount due within one year	(1,308,460)	-	16,662	(1,325,122)
Total Long-term Liabilities	\$ 10,542,852	\$ 77,464	\$ 1,201,557	\$ 9,418,759

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 5 – Revenue Bonds Payable (continued)

Debt Service Requirements on outstanding long-term liabilities were composed of the following at June 30, 2013:

Year ending June 30,	Revenue Bond Principal	Revenue Bond Interest	Total Payment
2014	1,375,000	351,797	1,726,797
2015	1,440,000	293,526	1,733,526
2016	1,500,000	232,668	1,732,668
2017	1,560,000	169,326	1,729,326
2018	1,620,000	103,500	1,723,500
2019	1,690,000	34,983	1,724,983
Total	\$ 9,185,000	\$ 1,185,800	\$ 10,370,800

Details of the revenue bonds of the Jail Authority at June 30, 2013 are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Due Within One Year
Series 2001 Advance refunding revenue bonds	4.14%	11/1/2001	2018	\$10,000,000	\$1,375,000

Note 6 – Compensated Absences

Jail Authority employees are granted vacation and sick leave in varying amounts. In addition, certain employees accrue compensation time for overtime hours worked. In the event of termination, employees are reimbursed for their unused accumulated vacation, compensation time, and a percentage of accumulated sick leave, depending on their length of service. The Jail Authority has accrued \$604,056 and \$573,250 at June 30, 2013 and 2012, respectively, as the liability arising from compensated absences.

The compensated absences liability for the Jail is accounted for using the last in-first out (LIFO) basis which is under the assumption that the employees are taking time as it is earned; therefore, the current portion to report as of June 30, 2013 and 2012, was approximately \$30,805 and \$25,122, respectively.

Note 7 – Commitments and Contingent Liabilities

Contingent Liabilities – Various claims and lawsuits are pending against the Jail Authority. In the opinion of Jail management, resolution of these cases would not involve a substantial liability for the Jail Authority.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 8 – Defined Benefit Pension Plan

Plan Description – The Jail Authority contributes to the Virginia Retirement System (“VRS”), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (“System”). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Members earn one month of service for each month they are employed and their employer is paying in VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefits plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include hazardous duty of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member’s plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member’s total service credit. The benefit is payable monthly for life in an amount equal to 1.7 percent 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 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 under Plan 1, and 6% per Plan 2. Under Plan 1, AFC is defined as the highest consecutive 36 months of reported compensation. Under Plan 2, AFC is defined as the highest consecutive 60 months of reported compensation. Participating law enforcement officers 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. The System 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 the System at P.O. Box 2500, Richmond, VA 23218-2500.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 8 – Defined Benefit Pension Plan (continued)

Funding Policy – Plan members are required by Title 51.1 of the Code of Virginia, as amended, to contribute 5% of their annual salary to the VRS. All or part of the 5% member contribution may be assumed by the employer. Beginning in July 1, 2012, this 5% member contribution has been assumed by the employee. The employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Jail 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 Jail Authority's contribution rates for the years ended June 30, 2013 and 2012 were 12.82% and 15.82%, respectively, of annual covered payroll.

Annual Pension Cost – For the years ended June 30, 2013, 2012 and 2011, the Jail Authority's annual pension cost of \$669,468, \$504,367 and \$556,659, respectively, was equal to the Jail Authority's required and actual contributions. The Jail Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years or less.

This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2004 Experience Study. In particular, it uses an assumed investment return rate of 7.5%; an assumed annual cost-of-living adjustment of 2.5%; salary increases that range between 3.75% and 5.60% depending on a member's service and classification (general employee or uniformed officer); and retirement, mortality, disability and termination rates that were also based on the 2004 Experience Study prepared for VRS. Liabilities were determined under the Entry Age Normal actuarial cost method.

The information for the employer and employee contributions to the VRS is summarized as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Amount of APC Contributed</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$669,468	\$669,468	100%	\$ -
June 30, 2012	\$504,367	\$504,367	100%	-
June 30, 2011	\$556,659	\$556,659	100%	-
June 30, 2010	\$526,007	\$526,007	100%	-

Funding Progress –The following schedule presents information about the funded status of the Jail Authority employees as of June 30, 2012, the date of the most recent actuarial valuation for the group:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2012	\$8,993,185	\$10,897,174	\$1,903,990	82.53%	\$5,132,444	37.10%

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 8 – Defined Benefit Pension Plan (continued)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the Jail Authority employee group's respective plan assets are increasing or decreasing over time relative to their respective actuarial accrued liabilities for benefits.

Note 9 – Postemployment Healthcare Plan and Other Postemployment Benefits (OPEB) Trust

The Jail provides for optional participation by eligible retirees and their eligible spouses and dependents in the medical and prescription drug healthcare benefit program available to employees. The County of Hanover has established the Hanover County, Virginia, Retiree Medical Benefits Plan (Plan), an agent multiple-employer defined benefit healthcare plan, and the Hanover County, Virginia, Retiree Medical Benefits Trust Agreement (Trust), which are administered as one plan for the County of Hanover and its Affiliates (collectively, Employers). The Plan covers eligible retirees of the Jail. The Trust provides the funding mechanism for the postemployment healthcare benefits established by the Plan. The Code of Virginia assigns the authority to administer the Plan, and to establish and amend the benefit provisions of the Plan, to the Hanover County Board of Supervisors (Board). The Plan provides for biennial reviews of benefit provisions based on actuarial analysis, but does not require any automatic or ad hoc benefit increases, although the Board may amend or terminate the Plan at any time. The Trust's accumulated assets may legally be used to pay all plan benefits provided to any of the plan's members or beneficiaries. The Trust is considered part of the County of Hanover's financial reporting entity and is included in County of Hanover's financial statements as an Other Postemployment Benefits Trust Fund. The Jail is required to make periodic contributions to fund its share of the plan based on periodic actuarial analysis of its future obligations.

The Plan provides that the Employers will provide certain subsidies toward the cost of the health benefit coverage of eligible retirees, spouses and dependents. In order to participate in the Plan, retirees must be enrolled in the health insurance program available to Hanover County employees at date of separation. In addition, participants must meet the Virginia Retirement System (VRS) retirement age and service retirement requirements, and, if hired after September 30, 2007, must have five years of service with an Employer, or retire pursuant to the disability requirements of Social Security or the VRS. The amount of monthly subsidy provided by the Plan is based on years of service and, as of June 30, 2013, ranged from \$100 per month for employees with 10 but less than 15 years of service to \$200 per month for 20 or more years of service. The subsidy for a retiree's spouse and dependents are equal to that of the retiree, with a limit of three subsidies per retiree. Retirees hired prior to October 1, 2007 have no years of service requirement, but must meet all other requirements for participation. In addition, retirees hired prior to October 1, 2007, who have at least ten years of service with an Employer and whose age and years of service equal at least 60 (grandfathered employees) will receive an initial subsidy of \$251 per month. For employees retiring after September 30, 2008, subsidies will end with Medicare eligibility.

Retirees under the Plan may select from the health care plans offered to active employees and pay the health insurance premium rate established annually based on biennial actuarial analysis of the claims cost of the retiree group, net of the applicable subsidy established by the Plan. Depending upon the health care plan selected, the net retiree premium amounts range from \$425 to \$875 per month, and for those electing retiree and family coverage, from \$1,219 to \$2,625 per month. Costs of administering the Plan will be borne by the Trust or by the Employers.

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 9 – Postemployment Healthcare Plan and Other Postemployment Benefits (OPEB) Trust (continued)

The Jail's OPEB cost (expense) under the Plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Jail's annual OPEB cost, the amount of contributions to the Plan, changes in the Jail's net OPEB asset, the Jail's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2013. The net OPEB obligation is included in accrued liabilities in the accompanying statements of net position.

Fiscal Year Ended June 30:	2013
ARC, for the fiscal year ended June 30, 2013	\$ 27,614
Interest on Net OPEB asset from prior year	(410)
Actuarial adjustment	492
Annual OPEB cost	27,696
Employer contributions:	
Cash contribution to OPEB trust	—
Subsidies paid under Plan on behalf of retirees	(1,997)
Total Employer contributions	(1,997)
Decrease in the net OPEB asset, for the fiscal year ended June 30, 2011	25,699
Net OPEB (asset), beginning of year	(5,859)
Net OPEB obligation, end of year	\$ 19,840
 Fiscal Year Ended June 30:	 2013
Annual OPEB cost	\$ 27,696
Percentage of annual OPEB cost contributed by Employer:	
Cash contributions to OPEB Trust	0.0%
Subsidies paid under Plan on behalf of retirees	7.2%
Total percentage contributed	7.2%
Net OPEB obligation at end of fiscal year	\$ 19,840

PAMUNKEY REGIONAL JAIL AUTHORITY
Notes to Financial Statements
June 30, 2013 and 2012

Note 9 – Postemployment Healthcare Plan and Other Postemployment Benefits (OPEB) Trust (continued)

The funded status of the Plan as June 30, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	\$ 80,262	215,499	135,237	37.2%	\$5,132,444	2.63%

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

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 7.0 percent annual investment rate of return (net of administrative expenses), including an inflation assumption of 2.5% and no escalation in retiree subsidies. The initial unfunded actuarial liability is being amortized as a level percentage of projected payroll on a closed basis over seventeen years.

Note 10 – Related Party Transactions

The County of Hanover provides certain general government administrative and accounting services such as payroll, finance, information technology and purchasing for the Jail Authority. The Jail Authority paid the County of Hanover \$412,000 and \$404,000 related to such services for the years ended June 30, 2013 and 2012, respectively.

PAMUNKEY REGIONAL JAIL AUTHORITY
Required Supplementary Information
June 30, 2012

Schedule of Funding Progress-Virginia Retirement System (unaudited):

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	\$8,993,185	\$10,897,174	\$1,903,990	82.53%	\$ 5,132,444	37.10%
June 30, 2011	8,215,707	9,966,703	1,750,996	82.43%	5,244,683	33.39%
June 30, 2010	7,208,711	8,938,219	1,729,508	80.65%	5,234,035	33.04%
June 30, 2009	6,405,378	7,253,147	847,768	88.31%	5,368,534	15.79%
June 30, 2008	5,488,724	6,344,013	855,290	86.52%	4,885,333	17.51%

See accompanying independent auditors report

PAMUNKEY REGIONAL JAIL AUTHORITY
Required Supplementary Information
June 30, 2012

Schedule of Funding Progress-Other Postemployment Benefits (unaudited):

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial	Actuarial	Actuarial	Unfunded			UAAL as a
<u>Valuation Date</u>	<u>Value of</u>	<u>Accrued</u>	<u>Actuarial</u>	<u>Funded</u>	<u>Covered</u>	<u>Percentage of</u>
	<u>Assets</u>	<u>Liability</u>	<u>Accrued Liability</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Covered</u>
		<u>(AAL)</u>	<u>(UAAL)</u>			<u>Payroll</u>
June 30, 2012	\$80,262	\$215,499	\$135,237	37.2%	\$5,132,444	2.63%

See accompanying independent auditors report.

STATISTICAL INFORMATION
(unaudited)

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

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

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

TABLE 1
PAMUNKEY REGIONAL JAIL AUTHORITY
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net investment in capital										
assets	\$ 6,803,713	\$ 6,369,529	\$ 5,775,343	\$ 5,520,923	\$ 5,317,140	\$ 4,959,385	\$ 4,470,837	\$ 4,286,515	\$ 4,123,364	\$ 4,050,090
Restricted	4,416,426	4,416,426	4,416,426	4,404,544	4,451,520	4,451,520	4,438,718	4,223,328	4,036,915	3,731,250
Unrestricted	3,276,789	2,902,885	3,007,279	3,062,304	3,129,111	3,649,509	3,489,039	3,232,548	3,235,516	3,417,315
Total Net Position	<u>\$ 14,496,928</u>	<u>\$ 13,688,840</u>	<u>\$ 13,199,048</u>	<u>\$ 12,987,771</u>	<u>\$ 12,897,771</u>	<u>\$ 13,060,414</u>	<u>\$ 12,398,594</u>	<u>\$ 11,742,391</u>	<u>\$ 11,395,795</u>	<u>\$ 11,198,655</u>

TABLE 2
PAMUNKEY REGIONAL JAIL AUTHORITY
CHANGES IN NET POSITION
Last Ten Fiscal Years

Fiscal Year	Operating Revenues (1)	Operating Expenses	Operating Income	Total Nonoperating Revenues/ (Expenses)(1)	Change In Net Position
2013	\$ 12,316,776	\$ 11,202,688	\$ 1,114,088	\$ (306,000)	\$ 808,088
2012	12,041,593	11,260,414	781,179	(291,387)	489,792
2011	11,806,412	11,280,302	526,110	(314,833)	211,278
2010	11,269,240	10,949,124	320,116	(320,116)	-
2009	11,143,275	10,980,348	162,927	(235,570)	(72,643)
2008	11,226,304	10,409,322	816,983	(155,163)	661,820
2007	10,821,938	9,933,229	888,709	(232,506)	656,203
2006	9,953,571	9,235,934	717,637	(371,041)	346,596
2005	8,996,919	8,589,269	407,650	(210,510)	197,140
2004	8,673,657	8,136,139	537,518	(958,231)	(420,713)

(1) Nonoperating revenue from the Commonwealth of Virginia has been reclassified to Operating Revenue for presentation of the statistical table.

TABLE 3
PAMUNKEY REGIONAL JAIL AUTHORITY
OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	County of Hanover	Town of Ashland	County of Caroline	Other Governments	Other	Intergovernmental Shared Expenses (1)	Total
2013	\$ 4,419,103	\$ 225,856	\$ 2,045,711	\$ 1,119,647	\$ 660,107	\$ 3,846,353	\$ 12,316,777
2012	4,552,497	255,231	1,703,726	1,467,338	528,059	3,534,742	12,041,593
2011	4,325,187	290,355	1,621,603	1,932,438	388,558	3,248,271	11,806,412
2010	3,758,980	224,142	1,422,988	2,189,102	385,921	3,288,107	11,269,240
2009	3,516,100	189,123	1,115,161	2,788,031	306,736	3,228,124	11,143,275
2008	3,437,092	172,225	886,694	2,964,415	330,950	3,434,929	11,226,304
2007	3,194,685	158,260	814,865	2,494,160	351,399	3,808,569	10,821,938
2006	3,285,051	149,717	693,359	1,611,234	410,186	3,804,024	9,953,571
2005	2,717,240	94,042	548,731	1,986,629	365,212	3,285,065	8,996,919
2004	2,367,759	98,117	565,184	2,409,968	294,341	2,938,288	8,673,657

(1) Nonoperating revenue from the Commonwealth of Virginia has been reclassified to Operating Revenue for presentation of the statistical table.

TABLE 4
PAMUNKEY REGIONAL JAIL AUTHORITY
OPERATING EXPENSES
Last Ten Fiscal Years

Fiscal Year		Personal Services		Fringe Benefits		Contractual Services		Other Operating Expenses and Supplies		Depreciation		Total Operating Expenses
2013	\$	5,482,688	\$	2,110,543	\$	1,168,349	\$	1,596,201	\$	844,908	\$	\$11,202,689
2012		5,311,451		2,232,219		1,108,891		1,759,455		848,398		11,260,414
2011		5,369,555		2,104,612		1,022,231		1,927,340		856,564		11,280,302
2010		5,371,673		2,041,661		873,556		1,778,935		883,299		10,949,124
2009		5,344,127		1,970,205		766,234		2,016,322		883,460		10,980,348
2008		4,963,757		1,852,977		794,196		1,943,353		855,038		10,409,322
2007		4,693,277		1,743,206		798,869		1,853,433		844,444		9,933,229
2006		4,319,240		1,552,720		794,539		1,741,249		828,186		9,235,934
2005		4,019,841		1,427,428		773,248		1,557,255		811,497		8,589,269
2004		3,818,587		1,094,383		794,189		1,627,224		801,756		8,136,139

TABLE 5
PAMUNKEY REGIONAL JAIL AUTHORITY
NONOPERATING REVENUES AND EXPENSES
Last Ten Fiscal Years

Fiscal Year	Interest Income	Interest Expense	Net Nonoperating Expenses (1)
2013	\$ 78,129	\$ (384,129)	\$ (306,000)
2012	125,822	(417,209)	(291,387)
2011	132,562	(447,395)	(314,833)
2010	156,574	(476,690)	(320,116)
2009	269,845	(505,415)	(235,570)
2008	378,086	(533,249)	(155,163)
2007	357,552	(590,058)	(232,506)
2006	272,088	(643,129)	(371,041)
2005	209,002	(419,512)	(210,510)
2004	105,939	(1,064,170)	(958,231)

- (1) Nonoperating revenue from the Commonwealth of Virginia has been reclassified to Operating Revenue for presentation of the statistical table.

TABLE 6
PAMUNKEY REGIONAL JAIL AUTHORITY
REVENUES AND EXPENSES
Last Ten Fiscal Years

	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05	FY04
Revenues:										
Charges for services -										
Inmate Housing	\$ 7,810,317	\$ 7,978,792	\$ 8,169,584	\$ 7,595,212	\$ 7,608,415	\$ 7,460,426	\$ 6,661,969	\$ 5,739,361	\$ 5,346,642	\$ 5,441,028
State Compensation Board	3,846,353	3,534,742	3,248,271	3,288,107	3,228,124	3,434,929	3,808,569	3,804,024	3,285,064	2,938,288
Interest income	78,129	125,822	132,561	156,574	269,845	378,086	357,552	272,088	209,002	105,939
Work release	6,526	3,089	14,530	18,931	13,088	20,426	26,658	55,042	46,142	38,284
Telephone Commission	387,000	282,025	178,007	205,153	172,687	176,341	195,147	186,811	195,548	170,615
Miscellaneous	266,581	242,945	196,021	161,837	120,961	134,183	129,595	168,333	123,523	85,442
Total revenues	<u>12,394,906</u>	<u>12,167,415</u>	<u>11,938,974</u>	<u>11,425,814</u>	<u>11,413,120</u>	<u>11,604,391</u>	<u>11,179,490</u>	<u>10,225,659</u>	<u>9,205,921</u>	<u>8,779,596</u>
Expenses:										
Salaries and benefits	7,593,231	7,543,670	7,474,167	7,413,334	7,314,332	6,816,734	6,436,483	5,871,960	5,447,270	4,912,970
Contractual services	1,112,413	1,042,969	994,494	830,665	712,548	738,118	730,821	738,647	773,251	749,016
Materials and supplies	403,458	504,617	535,012	450,678	526,501	578,519	579,504	501,174	374,520	468,476
Medical services and supplies	361,808	425,074	530,150	512,464	434,575	400,012	383,158	354,636	246,197	270,482
Food service and supplies	435,373	403,344	422,196	417,857	637,835	599,672	560,148	543,528	532,191	578,241
Repairs and maintenance	55,936	65,922	27,737	42,891	53,686	56,078	68,048	55,892	90,828	45,173
Utilities	395,561	426,420	439,982	397,936	417,411	365,150	330,623	341,911	313,515	310,025
Depreciation	844,908	848,398	856,564	883,299	883,460	855,039	844,444	828,186	811,497	801,756
Interest expense/Bond discount										
Debt refunding	384,129	417,209	447,395	476,690	505,415	533,249	590,058	643,129	419,512	1,064,170
Total expenses	<u>11,586,818</u>	<u>11,677,623</u>	<u>11,727,697</u>	<u>11,425,814</u>	<u>11,485,763</u>	<u>10,942,571</u>	<u>10,523,287</u>	<u>9,879,063</u>	<u>9,008,781</u>	<u>9,200,309</u>
Increase (decrease) in net position	<u>\$ 808,088</u>	<u>\$ 489,792</u>	<u>\$ 211,277</u>	<u>\$ -</u>	<u>\$ (72,643)</u>	<u>\$ 661,820</u>	<u>\$ 656,203</u>	<u>\$ 346,596</u>	<u>\$ 197,140</u>	<u>\$ (420,713)</u>

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

	Hanover County			Town of Ashland			Caroline County			Federal Inmates		
Fiscal Year	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed
2013	\$3,438,860	\$35.93	95,710	\$225,856	\$35.93	6,286	\$1,614,012	\$35.93	44,921	\$1,086,017	\$54.00	20,111
2012	3,385,928	37.26	90,873	255,231	37.26	6,850	1,283,495	37.26	34,447	1,405,625	54.00	26,030
2011	3,246,509	37.95	85,547	290,355	37.95	7,651	1,247,758	37.95	32,879	1,932,444	54.00	35,786
2010	2,868,702	33.29	86,173	224,142	33.29	6,733	1,083,353	33.29	32,543	2,189,102	54.00	40,539
2009	2,154,353	33.58	64,156	189,123	33.58	5,632	774,724	33.58	23,071	2,788,031	54.00	51,630
2008	2,044,608	29.30	69,782	172,225	29.30	5,878	583,715	29.30	19,922	2,964,415	50.00	59,288
2007	1,786,397	25.75	69,375	158,260	25.75	6,146	535,368	25.75	20,791	2,494,160	50.00	49,883
2006	1,876,814	21.57	87,010	149,717	21.57	6,941	413,872	21.57	19,187	1,611,234	50.00	32,225
2005	1,287,434	14.89	84,848	107,119	14.89	7,053	273,648	14.89	18,378	1,986,629	50.00	39,732
2004	1,363,762	14.73	92,584	98,117	14.73	6,661	290,166	14.73	19,699	2,409,968	50.00	48,199

TABLE 8
PAMUNKEY REGIONAL JAIL AUTHORITY
LARGEST REVENUE SOURCE
Current Year and Ten Years Ago

	Fiscal Year 2013	
	Amount	%
County of Hanover	\$ 4,644,959	37.47%
Intergovernmental Shared Expenses	3,846,353	31.03%
Subtotal	8,491,312	68.50%
Balance from other revenue sources	3,903,593	31.50%
Grand Totals	\$ 12,394,905	100.00%

	Fiscal Year 2004	
	Amount	%
County of Hanover	\$ 2,465,876	28.09%
Intergovernmental Shared Expenses	2,938,288	33.47%
Subtotal	5,404,164	61.55%
Balance from other revenue sources	3,375,432	38.45%
Grand Totals	\$ 8,779,596	100.00%

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

TABLE 9
PAMUNKEY REGIONAL JAIL AUTHORITY
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Revenue		Total	Caroline		Hanover	
				Annual Total Personal Income	Annual Per Capita Personal Income	Annual Total Personal Income	Annual Per Capita Personal Income
2013	\$	8,918,859	\$	8,918,859	NA	NA	\$ 4,681,058 \$ 45,614
2012		10,170,631		10,170,631	NA	NA	4,633,756 45,614
2011		11,303,184		11,303,184	989,854	34,574	4,598,907 45,614
2010		12,400,735		12,400,735	940,026	33,729	4,382,550 43,647
2009		13,473,287		13,473,287	939,641	33,923	4,311,228 43,090
2008		14,510,839		14,510,839	895,576	32,825	4,533,546 45,466
2007		15,498,391		15,498,391	821,575	31,047	4,306,337 43,478
2006		16,430,943		16,430,943	765,262	28,289	4,008,876 40,854
2005		17,313,495		17,313,495	657,599	27,482	3,758,827 38,944
2004		18,133,973		18,133,973	599,701	25,924	3,534,059 37,022
2003		18,782,198		18,782,198	565,331	25,028	3,354,845 35,824

TABLE 10
PAMUNKEY REGIONAL JAIL AUTHORITY
REVENUES BOND COVERAGE - OPERATING FUND
Last Ten Fiscal Years

Fiscal Year	Operating Revenues (1)	Operating and Capital Expenses (2)	Available Unrestricted Net Position (4)	Net Revenue Available for Debt Service	Principal	Interest (3)	Payments to Reserves	Total	Bond Coverage
2013	\$ 12,316,776	\$ 10,357,780	\$ 3,276,789	\$ 5,235,785	\$ 1,375,000	\$ 306,000	\$ -	\$ 1,681,000	311%
2012	12,041,593	10,412,016	2,902,885	4,532,462	1,300,000	278,630	-	1,578,630	287%
2011	11,806,412	10,423,737	3,007,279	4,389,954	1,275,000	308,816	-	1,583,816	277%
2010	11,269,240	10,065,825	3,062,304	4,265,719	1,240,000	338,111	-	1,578,111	270%
2009	11,143,275	10,096,888	3,219,111	4,265,498	1,215,000	366,836	-	1,581,836	270%
2008	11,226,304	9,554,284	3,649,509	5,321,529	1,180,000	394,670	-	1,574,670	338%
2007	10,821,938	9,088,785	3,489,039	5,222,192	1,130,000	451,479	-	1,581,479	330%
2006	9,953,571	8,407,748	3,232,548	4,778,371	1,075,000	504,550	-	1,579,550	303%
2005	8,996,919	7,777,772	3,429,376	4,648,523	1,025,000	713,277	-	1,738,277	267%
2004	8,673,657	7,334,383	3,557,317	4,896,591	815,000	897,395	-	1,712,395	286%

- (1) Nonoperating revenue from the Commonwealth of Virginia has been reclassified to Operating revenue for presentation of the statistical table.
- (2) Greater of budgeted or actual operating expenses exclusive of depreciation
- (3) Less amortization expense
- (4) During fiscal year 2004, the Jail Authority received an interpretation from its bond counsel that allows unrestricted net position from the prior year to be included as operating revenues for the purposes of the bond coverage calculation. The calculations for previous years have been revised accordingly

TABLE 11
PAMUNKEY REGIONAL JAIL AUTHORITY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
Last Ten Fiscal Years

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Civilian	27	25	23	23	23	17	17	14	11	11
Sworn	112	112	114	114	114	113	113	100	103	105
Total Employees	139	137	137	137	137	130	130	114	114	116

TABLE 12
PAMUNKEY REGIONAL JAIL AUTHORITY
INMATE BOOKING STATISTICS
Last Ten Fiscal Years

Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings	Average # Housed
Hanover	2004	243	22	291	623
	2005	243	21	293	635
	2006	225	19	308	637
	2007	219	19	302	606
	2008	209	16	326	655
	2009	198	14	377	675
	2010	237	16	361	668
	2011	230	20	355	639
	2012	247	21	349	676
	2013	259	23	364	669
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings	Average # Housed
Ashland	2004	20	36	17	39
	2005	18	34	18	38
	2006	16	29	18	36
	2007	17	21	26	31
	2008	16	26	22	37
	2009	15	19	30	46
	2010	18	16	32	50
	2011	21	21	37	57
	2012	18	19	38	55
	2013	17	17	39	55
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings	Average # Housed
Caroline	2004	54	21	69	127
	2005	49	18	77	129
	2006	57	19	93	157
	2007	57	19	87	152
	2008	55	16	99	167
	2009	64	16	114	191
	2010	89	22	96	204
	2011	90	26	75	196
	2012	94	27	96	207
	2013	123	34	101	234
Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings	Average # Housed
Other	2004	138	31	115	261
	2005	117	32	85	170
	2006	103	35	82	189
	2007	153	50	79	214
	2008	177	50	92	268
	2009	168	46	96	267
	2010	115	46	64	198
	2011	102	47	58	160
	2012	82	43	50	124
	2013	66	42	38	105

TABLE 13
PAMUNKEY REGIONAL JAIL AUTHORITY
PRINCIPAL EMPLOYERS
MOST RECENT AVAILABLE YEAR AND PERIOD TEN YEARS AGO

Employer	Type of Business	2012		2003		Rank	Total Employment
		Employees	Rank	Employees	Rank		
Hanover County Schools	Education	2,532	1	2,373	1		4.8%
Bon Secours Memorial Regional Medical Center	Hospital/Medical Center	1,000+	2	1,000+	2		4.0%
County of Hanover	Government	1,090	3	969	3		1.9%
Randolph Macon College	Education	500-999	4	500-999	6		1.5%
Tyson Foods	Food Manufacturing	500-999	5	500-999	5		1.5%
Supervalu	Food Distributor	500-999	6	500-999	4		1.5%
Paramount Kings Dominion	Entertainment	500-999	7	500-999	8		1.5%
Wal-Mart Stores	Retail	250-499	8	500-999	7		1.5%
Sales Mark	Wholesale Electronic Market	250-499	9	-	N/A		-
Acosta Sales & Marketing Co	Sales & Marketing	250-499	10	-	N/A		-
Culpeper Star Exponent	Newspaper Publisher	-	N/A	250-499	9		0.7%
Ukrops	Food and Beverage stores	-	N/A	250-499	10		0.7%
		51,922		49,886	-		19.7%

Notes: County and Schools employment levels provided by the County of Hanover Department of Human Resources, Finance Budget Division and the School Board Administration. Other data provided by the Virginia Employment Commission and the Hanover County Economic Development Department. Employment levels represent full-time equivalents. The most recent year for which data is available is 2012.

TABLE 14
PAMUNKEY REGIONAL JAIL AUTHORITY
DEMOGRAPHIC STATISTICS FOR MEMBER JURISDICTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Hanover County</u>		<u>Caroline County</u>	
	<u>Population</u>	<u>Unemployment Rate</u>	<u>Population</u>	<u>Unemployment Rate</u>
2004	95,459	3.0%	23,000	4.2%
2005	96,520	2.9%	23,800	3.9%
2006	98,126	2.5%	25,109	3.7%
2007	99,047	2.5%	27,399	3.3%
2008	99,713	3.5%	27,838	4.8%
2009	100,051	6.6%	28,245	8.5%
2010	100,408	6.7%	28,245	8.6%
2011	100,822	6.0%	28,545	7.7%
2012	101,586	5.5%	28,890	6.7%
2013	102,623	5.4%	28,972	6.7%

TABLE 15
PAMUNKEY REGIONAL JAIL AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
As of June 30, 2013

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Building & Personal Property	VACO	7/1/2013	As scheduled	\$ 1,000
Electronic Data Processing Equipment	VACO	7/1/2013	As scheduled	\$ 1,000
Earthquake/Flood	VACO	7/1/2013	\$ 5,000,000	\$ 25,000
Business Auto	VACO	7/1/2013	\$ 5,000,000	N/A
Schedule Equipment	VACO	7/1/2013	As scheduled	\$ 1,000
Boiler and Machinery	VACO	7/1/2013	As scheduled	\$ 1,000
Business Interruption and Extra Expense	VACO		Included in blanket	
Workers Compensation	VACGSIA	7/1/2013	\$ 1,000,000	N/A
Faithful Performance of Duty	Commonwealth of Virginia -	7/1/2013	\$ 1,000,000	N/A
Bond *1	Division of Risk Management			
Constitutional Officer *1	Commonwealth of Virginia - Division of Risk Management	7/1/2013	\$ 1,000,000	\$ 1,000
General Liability		7/1/2013	\$ 2,000,000	N/A
Excess General Liability (Auto Also)		7/1/2013	\$ 3,000,000	N/A

NA – Not Applicable

*1 – Provided by the Commonwealth of Virginia

COMPLIANCE SECTION



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

**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***

The Honorable Members of the
Pamunkey Regional Jail Authority Board :

We have audited, 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, the basic financial statements of the Pamunkey Regional Jail Authority (the Jail Authority), a political subdivision of the Commonwealth of Virginia, which comprise the statements of net position, as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2013.

Internal Control over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jail Authority'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 Jail Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

KPMG LLP

October 24, 2013