PAMUNKEY REGIONAL JAIL AUTHORITY

HANOVER COUNTY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

COLONEL JAMES C. WILLETT, CJM
SUPERINTENDENT

LT. COLONEL NATHAN J. WEBEL, CJM
DEPUTY SUPERINTENDENT

MR. F. KEITH SPICER, CPA, CGMA
DIRECTOR OF FINANCE

PAMUNKEY REGIONAL JAIL AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Table of Contents

PAMUNKEY REGIONAL JAIL AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Table of Contents (Continued)

STATISTICAL SECTION, CON'T (unaudited)

COMPLIANCE SECTION

INTRODUCTORY SECTION
(unaudited)

PAMUNKEY REGIONAL JAIL

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

October 30, 2014

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, 2014. The CAFR was prepared by the Jail Authority's Superintendent and Director of Finance, 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 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 469-beds, consisting of 435 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 1.5%, with a total population of 104,124 estimated for 2014. These figures include the Town of Ashland. Caroline County's population growth rate is expected to be 0.7%, with a total population of 29,339 estimated for 2014.

The local inmate population for the past year was 405. Projections for the upcoming 2015 fiscal year are 400 inmates and by the 2016 fiscal year, we anticipate our inmate population to remain flat at 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 sixteenth consecutive year by the Virginia 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 over financial reporting 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 Director of Finance, 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 $94,035 representing an increase of $15,906 from fiscal year 2013.

INDEPENDENT AUDIT

The certified public accounting firm of KPMG LLP has audited the Jail Authority's June 30, 2014 financial statements. Their opinion on the financial statements is presented in the financial section of this CAFR.

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, 2013. This was the twelfth consecutive year that the Jail Authority 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, CGMA
Director of Finance

Pamunkey Regional Jail Authority Members
Fiscal Year 2014

Chairman Charles Hartgrove
Ashland Town Manager

Vice Chairman Tony Lippa
Caroline County Sheriff

Other Members

Alan Partin
Caroline County Assistant Administrator

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

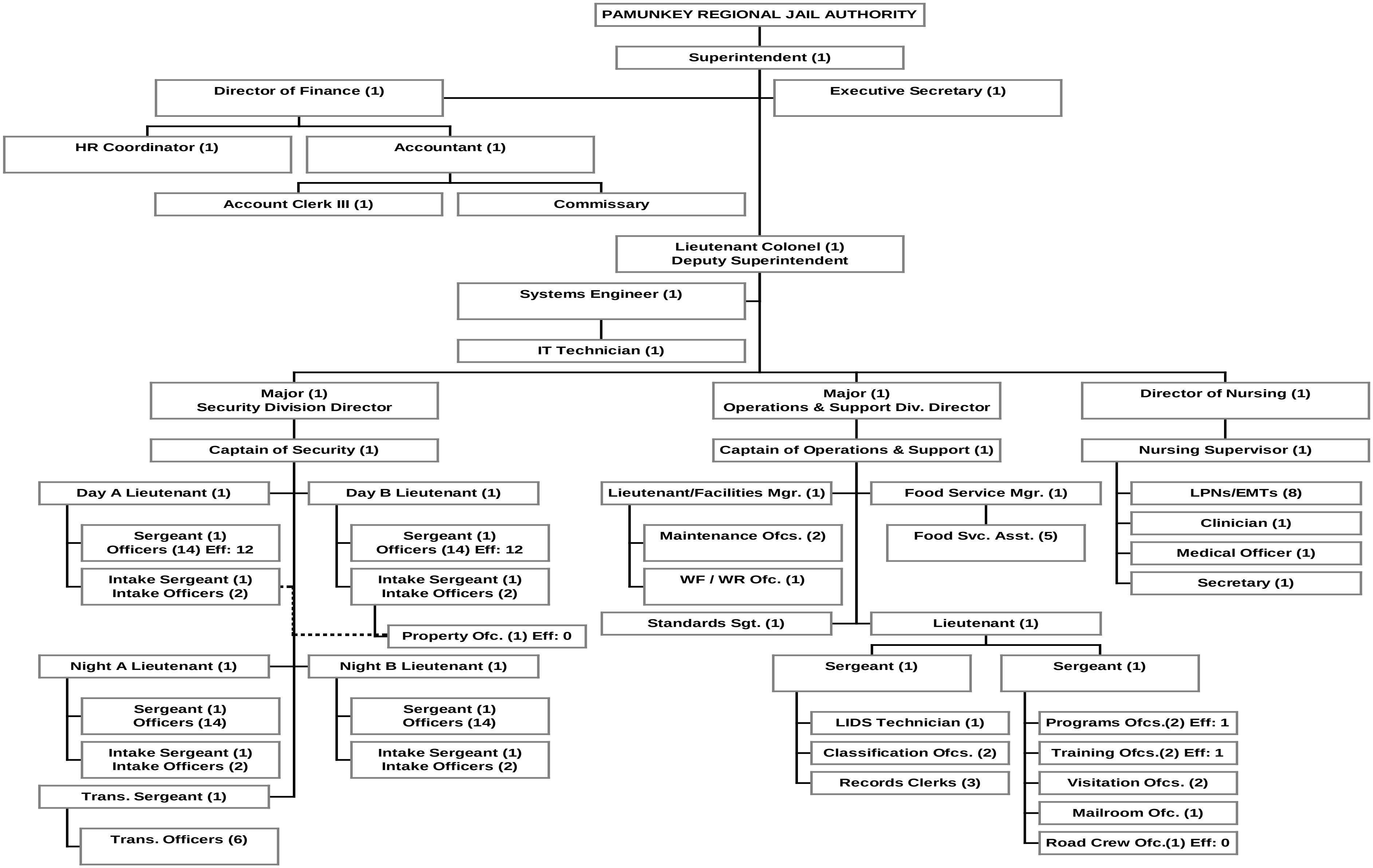
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Pamunkey Regional Jail

Organizational Structure 9/1/2014



FINANCIAL SECTION

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, 2014 and 2013, 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, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2014, the Jail Authority retrospectively adopted new accounting guidance requiring the reclassification, as deferred out flows of resources or deferred inflows of resources, of certain items that were previously reported as assets and liabilities, and the recognition, as outflows of resources or inflows of resources, of certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

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 35, and the Schedule of Funding Progress – Other Postemployment Benefits on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 30, 2014 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.

October 30, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)

The accompanying 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, 2014 and 2013. 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 2014:

- The Jail Authority’s net position increased $501,837 in fiscal year 2014.
- The total revenues of the Jail Authority increased $46,747, or 0.4% from fiscal year 2013. 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 fiscal year 2014 increased by $352,999, or 3% primarily from an increase in medical service costs.

Fiscal Year 2013:

- The Jail Authority’s net position increased $808,089 in fiscal year 2013.
- The total revenues of the Jail Authority increased $227,491, or 1.9% from fiscal year 2012. 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 fiscal year 2013 decreased by $90,806, or 0.8% primarily from a decrease in 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, deferred outflows of resources, deferred inflows of resources 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, 2014, 2013, and 2012:

NET POSITION	2014	2013	2012
Assets			
Current Assets			
Cash and cash equivalents with fiscal agent	$ 4,062,311	$ 3,795,272	$ 3,287,470
Receivables	611,216	745,506	827,238
Total Current Assets	4,673,527	4,540,778	4,114,708
Noncurrent Assets			
Cash and cash equivalents with fiscal agent	4,416,426	4,416,426	4,416,426
Capital assets, net	15,144,543	15,722,572	16,540,160
Total Noncurrent Assets	19,560,969	20,138,998	20,956,586
Total Assets	24,234,496	24,679,776	25,071,294
Deferred Outflow of Resources			
Deferred loss on debt refunding(1)	221,783	266,141	314,369
Liabilities			
Current Liabilities			
Accounts payable	523,178	145,185	160,169
Accrued liabilities	301,446	291,077	255,557
Arbitrage liability	51,036	33,540	16,177
Current portion of compensated absences	6,131	30,805	25,122
Current portion of revenue bonds	1,440,000	1,375,000	1,300,000
Accrued bond interest	161,667	190,130	206,670
Total Current Liabilities	2,483,458	2,065,737	1,963,695
Long-Term Liabilities			
Revenue bonds(1)	6,370,000	7,810,000	9,185,000
Compensated absences	604,055	573,251	548,128
Total Long-Term Liabilities	6,974,055	8,383,251	9,733,128
Total Liabilities	9,457,513	10,448,988	11,696,823
Net Position			
Net investment in capital assets	7,556,326	6,803,713	6,369,529
Restricted	4,416,426	4,416,426	4,416,426
Unrestricted	3,026,014	3,276,790	2,902,885
Total Net Position	$ 14,998,766	$ 14,496,929	$ 13,688,840

(1) As restated for the adoption of GASB Statement No. 65 retrospectively in fiscal year 2014. See Note 1 of the notes to the financial statements.

Overall net position increased 3.5% in fiscal year 2014 and increased 5.9% in fiscal year 2013, with unrestricted net position decreasing 7.7% for fiscal year 2014 and increasing 12.9% for fiscal year 2013.

REVENUES

Operating and non-operating revenues for the Jail Authority totaled $12,441,653 for the year ended June 30, 2014, which equates to a $46,747 increase over fiscal year 2013. Of this total, per-diem billings to member jurisdictions totaled $6,630,117, or 53 percent of total revenues. Per-diem billings to non-member jurisdictions totaled $1,464,334 and accounted for 12 percent of total revenues. Non-inmate revenues totaled $4,347,202, or 35 percent of total 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 $227,491 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.

A summary of revenues for the years ended June 30, 2014, 2013 and 2012 is provided in the following tabulation:

Revenue Classification	2014	2013	2012
Operating Revenues			
Hanover County	$ 4,433,152	$ 4,419,103	$ 4,552,497
Town of Ashland	281,436	225,856	255,231
Caroline County	1,915,529	2,045,711	1,703,726
Subtotal	6,630,117	6,690,670	6,511,454
United States Marshal's Service	1,027,303	1,073,975	1,387,103
Immigration/Naturalization Service	5,280	5,778	11,610
Federal Bureau of Prisoners	2,502	6,264	6,912
Other Local and Regional Jails	594	33,630	61,713
Sub Total	1,035,679	1,119,647	1,467,338
Work Release	5,328	6,526	3,089
Miscellaneous Income	614,098	653,581	524,970
Subtotal	619,426	660,107	528,059
Total Operating Revenues	8,285,222	8,470,424	8,506,851
Nonoperating Revenue			
Compensation Board	3,633,741	3,402,299	3,390,387
Commonwealth of Virginia	428,655	444,054	144,355
Interest income	94,035	78,129	125,822
Total Non-operating Revenues	4,156,431	3,924,482	3,660,564
Total Revenues	$ 12,441,653	$ 12,394,906	$ 12,167,415

EXPENSES

Operating and non-operating expenses totaled $11,939,816 for the year ended June 30, 2014, which represents a $352,999 increase over fiscal year 2013. Of this amount, salaries and employee benefits totaled $7,655,637, medical services and supplies totaled $1,028,536, food service and supplies totaled $444,301 and interest expense on debt totaled $323,334.

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 $752,671, food service and supplies totaled $435,372 and interest expense on debt totaled $384,128.

Summary expense information for the years ended June 30, 2014, 2013 and 2012 is presented in the following tabulation:

Expense Classification	**2014**	**2013**	**2012**
Operating Expenses:			
Personal services	$ 5,499,924	$ 5,482,688	$ 5,311,451
Fringe benefits	2,155,713	2,110,543	2,232,219
Contractual services	779,977	777,486	759,017
Materials and supplies	412,848	403,458	504,617
Medical services and supplies	1,028,536	752,673	774,949
Food services and supplies	444,301	435,372	403,344
Utilities	439,862	395,561	426,420
Depreciation	855,321	844,908	848,398
Total Operating Expenses	11,616,482	11,202,689	11,260,414
Total Non-operating Expenses			
Interest expense	323,334	384,128	417,209
Total Expenses	11,939,816	11,586,817	11,677,623
Total excess of revenues and expenses	501,837	808,089	489,792
Total net position, beginning of year	14,496,929	13,688,840	13,199,048
Total net position, end of year	$ 14,998,766	$ 14,496,929	$ 13,688,840

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 2014 with a $501,837 increase in total net position. Net position increased $808,089 in fiscal year 2013. The increase in fiscal year 2014 net position is due to a rise in operational per diem billings from member jurisdictions.

The Jail Authority's cash position remains strong with $4,062,311 in unrestricted funds.

DEBT ADMINISTRATION

The Jail Authority had total bonded debt outstanding of $7,810,000 and $9,185,000 at June 30, 2014 and 2013, respectively. Those amounts are comprised of Jail Facility Revenue Bonds Series 2001. 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 refunding issue resulted in an economic gain of $1,142,933. 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, 2014, capital assets, accumulated depreciation and depreciation expense totaled $28,799,830, $13,655,287 and $855,321, respectively. As of June 30, 2013, capital assets, accumulated depreciation and depreciation expense totaled $28,530,383, $12,807,811 and $844,908, 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 $34.87, $35.93 and $37.26 for 2014, 2013 and 2012, 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 $12.72, $13.33 and $13.47 for 2014, 2013 and 2012, respectively. The per diem rate that has been set for all federal inmates is $48.00.

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 Director of Finance, 7240 Courtland Farm Road, Hanover, VA 23069.

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Net Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents with fiscal agent	$ 4,062,311	$ 3,795,272
Receivables:		
Due from Federal Government	40,752	98,452
Due from Commonwealth of Virginia - Operations	431,457	432,410
Accounts receivable - member jurisdictions	139,007	214,644
Total current assets	4,673,527	4,540,778
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 $13,655,287 as of June 30, 2014 and $12,807,811 as of June 30, 2013	15,073,718	15,651,747
Total capital assets	15,144,543	15,722,572
Total noncurrent assets	19,560,969	20,138,998
Total assets	24,234,496	24,679,776
DEFERRED OUT FLOW OF RESOURCES		
Deferred loss on debt refunding	$ 221,783	$ 266,141

See accompanying notes to the financial statements. (continued)

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Net Position
June 30, 2014 and 2013

	2014	2013
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 523,178	$ 145,185
Accrued liabilities	301,446	291,077
Accrued arbitrage liability	51,036	33,540
Current portion of compensated absences	6,131	30,805
Current portion of revenue bonds	1,440,000	1,375,000
Accrued bond interest	161,667	190,130
Total current liabilities	2,483,458	2,065,737
Long-term Liabilities:		
Revenue bonds	6,370,000	7,810,000
Compensated absences	604,055	573,251
Total long-term liabilities	6,974,055	8,383,251
Total liabilities	9,457,513	10,448,988
NET POSITION		
Net investment in capital assets	7,556,326	6,803,713
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	3,026,014	3,276,790
Total net position	$ 14,998,766	$ 14,496,929

See accompanying notes to financial statements.

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES:		
Charges for services		
County of Hanover	$ 4,433,152	$ 4,419,103
Town of Ashland	281,436	225,856
County of Caroline	1,915,529	2,045,711
Charges to other governments	1,035,679	1,119,647
Other	619,426	660,107
Total operating revenues	8,285,222	8,470,424
OPERATING EXPENSES:		
Personal services	5,499,924	5,482,688
Fringe benefits	2,155,713	2,110,543
Contractual services	779,977	777,486
Other operating expenses and supplies	2,325,547	1,987,064
Depreciation	855,321	844,908
Total operating expenses	11,616,482	11,202,689
Operating loss	(3,331,260)	(2,732,265)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental:		
Revenue from the Commonwealth of Virginia:		
Categorical aid: Shared expenses and fees	4,062,396	3,846,353
Interest income	94,035	78,129
Interest expense	(323,334)	(384,128)
Net nonoperating revenues	3,833,097	3,540,354
Change in net position	501,837	808,089
Total net position, beginning of year	14,496,929	13,688,840
Total net position, end of year	$ 14,998,766	$ 14,496,929

See accompanying notes to financial statements.

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Charges to governments for inmates	$ 7,799,133	$ 7,923,854
Other revenues	619,426	660,107
Payments to suppliers	(2,683,176)	(2,731,304)
Payments to employees	(7,621,641)	(7,509,547)
Net cash used for operating activities	(1,886,257)	(1,656,890)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Intergovernmental revenue received	4,063,349	3,814,553
Net cash provided by noncapital financing activities	4,063,349	3,814,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital asset additions	(277,292)	(27,320)
Principal payments on long-term debt	(1,375,000)	(1,300,000)
Interest paid on long-term debt	(351,797)	(400,670)
Net cash used for capital and related financing activities	(2,004,089)	(1,727,990)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and cash equivalents	94,035	78,129
Net cash provided by investing activities	94,035	78,129
Net increase in cash and cash equivalents with fiscal agent	267,038	507,802
Total cash and cash equivalents with fiscal agent at beginning of year	8,211,698	7,703,896
Total cash and cash equivalents with fiscal agent at end of year	$ 8,478,737	$ 8,211,698

See accompanying notes to financial statements.

(continued)

PAMUNKEY REGIONAL JAIL AUTHORITY
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	$ (3,331,260)	$ (2,732,265)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	855,321	844,908
Amortization	44,358	48,228
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and accrued interest receivable - member jurisdictions	75,637	55,159
Due from Federal Government	57,700	58,375
Increase (decrease) in:		
Accounts payable	377,992	(14,984)
Accrued liabilities	27,865	52,883
Compensated absences	6,130	30,806
Net cash used for operating activities	$ (1,886,257)	$ (1,656,890)
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS WITH FISCAL AGENT:		
Cash and cash equivalents with fiscal agent- current	$ 4,062,311	$ 3,795,272
Restricted cash and cash equivalents with fiscal agent- noncurrent	4,416,426	4,416,426
Total cash and cash equivalents with fiscal agent	$ 8,478,737	$ 8,211,698

See accompanying notes to financial statements.

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, 2014 and 2013 were as follows:

	2014	2013
Debt service and repair reserve	$1,730,501	$ 1,730,501
Operating reserve	$2,685,925	$ 2,685,925

F. **Allowances for Uncollectible Receivables** – In accordance with prior history and given the Jail Authority's relationship with member jurisdictions, no allowance has been established for uncollectible accounts receivable.

G. **Capital Assets** – All property, plant and equipment is recorded at cost. The capitalization threshold is $5,000 with a useful life 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 2014 and 2013.

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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position 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 Board 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, 2014 and 2013.

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, 2014.

N. **New Accounting Pronouncement** – In April 2012, the Governmental Accounting Standards Board ("GASB") issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB Statement No. 65). This statement specifies new accounting guidance for the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflow of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The Jail Authority retrospectively implemented the provisions of GASB Statement No. 65 in fiscal year 2014 in the accompanying financial statements. In connection with the adoption of GASB Statement No. 65, the Jail Authority's deferred loss on the refunding of debt (see Note 5) has been reclassified from long-term liabilities to deferred outflow of resources on the statements of net position.

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, 2014 and 2013, the Jail Authority's carrying value of deposits and investments as part of the Hanover County pooled cash and investments was $8,478,737 and $8,211,698, respectively.

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).

Note 3 – Capital Assets

The following schedules denote the changes in capital assets for the years ended June 30, 2014 and 2013:

June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
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	719,881	277,292	7,845	989,328
Total capital assets being depreciated	28,459,558	277,292	7,845	28,729,005
Accumulated depreciation:				
Buildings	11,966,112	772,008	-	12,738,120
Improvements other than buildings	181,861	46,288	-	228,149
Vehicles and Equipment	659,838	37,025	7,845	689,018
Total accumulated deprecation	12,807,811	855,321	7,845	13,655,287
Total capital assets being depreciated (net)	15,651,747	(578,029)	-	15,073,718
Total capital assets, net	$ 15,722,572	$ (578,029)	$ -	$ 15,144,543

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 deprecation	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

Note 4 – Interest Payable

Accrued bond interest payable totaled $161,667 and $190,130 at June 30, 2014 and 2013, respectively. This amount is related to the Jail Authority's share of the Series 2001 Jail Facility Revenue Bonds. Accrued interest payable will be paid from restricted cash.

Note 5 – Revenue Bonds Payable

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.

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 apportion 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.

The outstanding principal balance of the Series 2003 Jail Facility Refunding Bonds was paid in full during the year ended June 30, 2014.

Note 5 – Revenue Bonds Payable (continued)

The following tables reflect changes in long-term liabilities for the years ended June 30, 2014 and 2013:

June 30, 2014:

	Balance June 30, 2013	Increase	Decrease	Balance June 30, 2014
Series 2001				
Advance refunding revenue bonds	$ 9,185,000		$ 1,375,000	$ 7,810,000
Total revenues bonds	9,185,000	-	1,375,000	7,810,000
Other postemployment benefits	19,840	7,412	-	27,252
Compensated absences	604,056	61,333	55,203	610,186
Less amounts due within one year:				
Other postemployment benefits	(19,840)	-	7,412	(27,252)
Compensated absences	(30,805)	-	(24,674)	(6,131)
Revenue bonds	(1,375,000)	-	65,000	(1,440,000)
Total Long-term Liabilities	$ 8,383,251	$ 68,745	$ 1,477,941	$ 6,974,055

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 revenues bonds	10,485,000	-	1,300,000	9,185,000
Less:				
Unamortized bond discount	3,870	-	3,870	-
Total	10,481,130	-	1,296,130	9,185,000
Other postemployment benefits	-	19,840	-	19,840
Compensated absences	573,250	76,047	45,241	604,056
Less amounts due within one year:				
Other postemployment benefits	-	-	19,840	(19,840)
Compensated absences	(25,122)	-	5,683	(30,805)
Revenue bonds	(1,300,000)	-	75,000	(1,375,000)
Total Long-term Liabilities	$ 9,729,258	$ 95,887	$ 1,441,894	$ 8,383,251

Note 5 – Revenue Bonds Payable (continued)

Debt Service Requirements on outstanding long-term liabilities were composed of the following at June 30, 2014:

Year ending June 30,	Revenue Bond Principal	Revenue Bond Interest	Total Payment
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	$ 7,810,000	$ 834,003	$ 8,644,003

Details of the revenue bonds of the Jail Authority at June 30, 2014 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	$1,440,000

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 $610,187 and $604,056 at June 30, 2014 and 2013, respectively, as the liability arising from compensated absences.

The compensated absences liability for the Jail Authority 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, 2014 and 2013, was approximately $6,131 and $30,805, 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.

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 three different benefits plans for local government employees – Plan 1, Plan 2 and Hybrid:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About VRS Plan 2** VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

		• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.	**Eligible Members** Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as VRS Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as VRS Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their	**Vesting** Same as VRS Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years

member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.		(60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under VRS Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under VRS Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as VRS Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as VRS Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as VRS Plan 2. **Defined Contribution** **Component:** Not applicable. **Eligibility:** Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member's involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as VRS Plan 1	**Exceptions to COLA Effective Dates:** Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan.	**Purchase of Prior Service** Same as VRS Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as VRS Plan 1. **Defined Contribution Component:** Not applicable.

Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.		

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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, 2014 and 2013 were 12.82% and 12.82%, respectively, of annual covered payroll.

Annual Pension Cost – For the years ended June 30, 2014, 2013 and 2012, the Jail Authority's annual pension cost of $675,609, $669,468 and $504,367, 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 7.0%; an assumed annual cost-of-living adjustment of 2.25%; salary increases that range between 3.5% and 5.35% 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:

Fiscal Year Ended	Annual Pension Cost (APC)	Amount of APC Contributed	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$675,609	$675,609	100%	$ -
June 30, 2013	$669,468	$669,468	100%	-
June 30, 2012	$504,367	$504,367	100%	-

Note 8 – Defined Benefit Pension Plan (continued)

Funding Progress –The following schedule presents information about the funded status of the Jail Authority employees as of June 30, 2013, the date of the most recent actuarial valuation for the group:

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, 2013	10,123,508	$11,654,162	$1,530,654	86.87%	$5,202,779	29.42%

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

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

by the Plan is based on years of service and, as of June 30, 2014, 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.

The Jail Authority'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 Authority's annual OPEB cost, the amount of contributions to the Plan, changes in the Jail Authority's net OPEB asset, the Jail Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014. The net OPEB obligation is included in accrued liabilities in the accompanying statements of net position.

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

Fiscal Year Ended June 30:		2014		2013
ARC, for the fiscal year	$	10,000	$	27,614
Interest on Net OPEB asset from prior year		—		(410)
Actuarial adjustment		—		492
Annual OPEB cost		10,000		27,696
Employer contributions:				
Cash contribution to OPEB trust		(2,588)		—
Subsidies paid under Plan on behalf of retirees		—		(1,997)
Total Employer contributions		(2,588)		(1,997)
Change in the net OPEB (asset) obligation for the fiscal year		7,412		25,699
Net OPEB (asset) obligation beginning of year		19,840		(5,859)
Net OPEB obligation, end of year	$	27,252	$	19,840

Fiscal Year Ended June 30:		2014		2013
Annual OPEB cost	$	10,000	$	27,696
Percentage of annual OPEB cost contributed by Employer:				
Cash contributions to OPEB Trust		25.9%		0.0%
Subsidies paid under Plan on behalf of retirees		—%		7.2%
Total percentage contributed		25.9%		7.2%
Net OPEB obligation at end of fiscal year	$	27,252	$	19,840

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

The funded status of the Plan as June 30, 2013, 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)
6/30/2013	$	49,000	103,000	54,000	47.6%	$	5,202,779	1.0%

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, 2013 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 basis for the Healthcare cost trend rate is from the Society of Actuaries Long Term Medical Trend Model, which is an initial rate of 7.5% decreasing gradually. The ultimate rate is 5.0%. 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 $420,000 and $412,000 related to such services for the years ended June 30, 2014 and 2013, respectively.

PAMUNKEY REGIONAL JAIL AUTHORITY
Required Supplementary Information
June 30, 2013

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, 2013	10,123,508	$11,654,162	$1,530,654	86.87%	$5,202,779	29.42%
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%

See accompanying independent auditors' report

PAMUNKEY REGIONAL JAIL AUTHORITY
Required Supplementary Information
June 30, 2013

Schedule of Funding Progress-Other Postemployment Benefits (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, 2013	$49,000	$103,000	$54,000	47.6%	$5,202,779	1.0%
June 30, 2012	$80,262	$215,499	$135,237	37.2%	$5,132,444	2.63%
June 30 ,2011	NA	NA	NA	NA	$5,244,683	NA

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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	$ 7,556,326	$ 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
Restricted	4,416,426	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
Unrestricted	3,026,014	3,276,790	2,902,885	3,007,279	3,062,304	3,129,111	3,649,509	3,489,039	3,232,548	3,235,516
Total Net Position	$ 14,998,766	$ 14,496,929	$ 13,688,840	$ 13,199,048	$ 12,987,771	$ 12,897,771	$ 13,060,414	$ 12,398,594	$ 11,742,391	$ 11,395,795

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

Fiscal Year	Operating Revenues (1)	Operating Expenses	Operating Income (loss)	Total Nonoperating Revenues/ (Expenses) (1)	Change In Net Position
2014	$ 8,285,222	$ 11,616,482	$ (3,331,260)	$ 3,833,097	$ 501,837
2013	8,470,424	11,202,689	(2,732,265)	3,540,354	808,089
2012	8,506,851	11,260,414	(2,753,563)	3,243,355	489,792
2011	8,558,142	11,280,302	(2,722,160)	2,933,437	211,278
2010	8,202,783	10,949,124	(2,746,341)	2,746,341	-
2009	7,915,151	10,980,348	(3,065,197)	2,992,554	(72,643)
2008	7,791,375	10,409,322	(2,617,947)	3,279,766	661,820
2007	7,013,369	9,933,229	(2,919,860)	3,576,063	656,203
2006	6,149,547	9,235,934	(3,086,387)	3,432,983	346,596
2005	5,711,855	8,589,269	(2,877,414)	3,074,554	197,140

(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	Total
2014	$ 4,433,152	$ 281,436	$ 1,915,529	$ 1,035,679	$ 619,426	$ 4,062,396	$ 12,347,618
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

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
2014	$ 5,499,924	$ 2,155,713	$ 779,977	$ 2,325,547	$ 855,321	$11,616,482
2013	5,482,688	2,110,543	777,486	1,987,064	844,908	11,202,689
2012	5,311,451	2,232,219	759,017	2,109,329	848,398	11,260,414
2011	5,369,555	2,104,612	709,650	2,239,921	856,564	11,280,302
2010	5,371,673	2,041,661	1,052,450	1,600,041	883,299	10,949,124
2009	5,344,127	1,970,205	907,279	1,875,277	883,460	10,980,348
2008	4,963,757	1,852,977	1,013,735	1,723,815	855,038	10,409,322
2007	4,693,277	1,743,206	1,009,948	1,642,354	844,444	9,933,229
2006	4,319,240	1,552,720	916,519	1,619,269	828,186	9,235,934
2005	4,019,841	1,427,428	869,313	1,461,190	811,497	8,589,269

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

Fiscal Year	Interest Income	Interest Expense	Net Nonoperating Expenses
2014	$ 94,035	$ (323,334)	$ (229,299)
2013	78,129	(384,128)	(305,999)
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)

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

	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY05
Revenues:										
Charges for services -										
Inmate Housing	$ 7,665,796	$ 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
State Compensation Board	4,062,396	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
Interest income	94,035	78,129	125,822	132,561	156,574	269,845	378,086	357,552	272,088	209,002
Work release	5,328	6,526	3,089	14,530	18,931	13,088	20,426	26,658	55,042	46,142
Telephone Commission	387,193	387,000	282,025	178,007	205,153	172,687	176,341	195,147	186,811	195,548
Miscellaneous	226,905	266,581	242,945	196,021	161,837	120,961	134,183	129,595	168,333	123,523
Total revenues	12,441,653	12,394,906	12,167,415	11,938,974	11,425,814	11,413,120	11,604,391	11,179,490	10,225,659	9,205,921
Expenses:										
Salaries and benefits	7,655,637	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
Contractual services	779,977	777,486	759,016	709,650	694,662	625,189	574,657	587,790	672,559	768,017
Materials and supplies	412,848	403,458	504,617	535,012	450,678	526,501	578,519	579,504	501,174	374,520
Medical services and supplies	1,028,535	752,671	774,949	842,731	691,358	575,620	619,551	594,237	476,616	342,259
Food service and supplies	444,301	435,373	403,344	422,196	417,857	637,835	599,672	560,148	543,528	532,191
Utilities	439,862	395,561	426,420	439,982	397,936	417,411	365,150	330,623	341,911	313,515
Depreciation	855,321	844,908	848,398	856,564	883,299	883,460	855,039	844,444	828,186	811,497
Interest expense/Bond discount										
Debt refunding	323,334	384,129	417,209	447,395	476,690	505,415	533,249	590,058	643,129	419,512
Total expenses	11,939,816	11,586,818	11,677,623	11,727,697	11,425,814	11,485,763	10,942,571	10,523,287	9,879,063	9,008,781
Increase (decrease) in net position	$ 501,837	$ 808,088	$ 489,792	$ 211,277	$ -	$ (72,643)	$ 661,820	$ 656,203	$ 346,596	$ 197,140

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
2014	$3,155,322	$34.87	90,488	$281,436	$34.87	8,071	$ 1,466,562	$34.87	42,058	1,035,085	$48.00	21,564
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

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

	Fiscal Year 2014	
	Amount	**%**
County of Hanover	$ 4,714,588	37.89%
Intergovernmental Shared Expenses	4,062,396	32.65%
Subtotal	8,776,984	70.54%
Balance from other revenue sources	3,664,669	29.46%
Grand Totals	$ 12,441,653	100.00%

	Fiscal Year 2005	
	Amount	**%**
County of Hanover	$ 2,811,282	30.54%
Intergovernmental Shared Expenses	3,209,607	34.86%
Subtotal	6,020,889	65.40%
Balance from other revenue sources	3,185,032	34.60%
Grand Totals	$ 9,205,921	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

				Caroline		Hanover	
Fiscal Year	Revenue Bonds		Total	Annual Total Personal Income	Annual Per Capita Personal Income	Annual Total Personal Income	Annual Per Capita Personal Income
2014	$ 7,810,000		$ 7,810,000	NA	NA	$ 5,012,114	$ 48,136
2013	9,185,000	(1)	9,185,000	NA	NA	4,939,862	48,136
2012	10,485,000	(1)	10,485,000	1,086,741	37,510	4,889,945	48,136
2011	11,303,184		11,303,184	989,854	34,574	4,748,193	47,095
2010	12,400,735		12,400,735	940,026	33,729	4,437,597	44,196
2009	13,473,287		13,473,287	939,641	33,923	4,402,001	43,998
2008	14,510,839		14,510,839	895,576	32,825	4,520,764	45,338
2007	15,498,391		15,498,391	821,575	31,047	4,348,341	43,902
2006	16,430,943		16,430,943	765,262	28,289	4,067,398	41,451
2005	17,313,495		17,313,495	657,599	27,482	3,843,947	39,825

(1) Fiscal years 2013 and 2012 were restated for the adoption of GASB Statement No. 65. For statistical reporting purposes, amounts for fiscal years prior to June 30, 2012 were not restated.

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
2014	$ 12,347,618	$ 10,761,161	$ 3,026,014	$ 4,612,471	$ 1,440,000	$ 229,299	$ -	$ 1,669,299	276%
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%

(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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Civilian	27	27	25	23	23	23	17	17	14	11
Sworn	112	112	112	114	114	114	113	113	100	103
Total Employees	139	139	137	137	137	137	130	130	114	114

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
Hanover	2005	243	21	293
	2006	225	19	308
	2007	219	19	302
	2008	209	16	326
	2009	198	14	377
	2010	237	16	361
	2011	230	20	355
	2012	247	21	349
	2013	259	23	364
	2014	270	18	370

Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings
Ashland	2005	18	34	18
	2006	16	29	18
	2007	17	21	26
	2008	16	26	22
	2009	15	19	30
	2010	18	16	32
	2011	21	21	37
	2012	18	19	38
	2013	17	17	39
	2014	22	17	36

Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings
Caroline	2005	49	18	77
	2006	57	19	93
	2007	57	19	87
	2008	55	16	99
	2009	64	16	114
	2010	89	22	96
	2011	90	26	75
	2012	94	27	96
	2013	123	34	101
	2014	115	30	87

Jurisdiction	Fiscal Year	Average Daily Population	Average Length of Stay (Days)	Average Monthly Bookings
Other	2005	117	32	85
	2006	103	35	82
	2007	153	50	79
	2008	177	50	92
	2009	168	46	96
	2010	115	46	64
	2011	102	47	58
	2012	82	43	50
	2013	66	42	38
	2014	55	40	37

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

		2013			2004		
Employer	Type of Business	Employees	Rank	Total Employment	Employees	Rank	Total Employment
Hanover County Schools	Education	2,462	1	4.7%	2,548	1	4.9%
Bon Secours Memorial Regional Medical	Hospital/Medical Center	1,000 +	2	3.8%	1000 +	2	3.9%
Paramount Kings Dominion	Entertainment	1,000 +	3	3.8%	500-999	6	1.5%
County of Hanover	Government	1,045	4	2.0%	982	3	1.9%
Tyson Foods	Food Manufacturing	500-999	5	1.4%	500-999	5	1.5%
Wal-Mart Stores	Retail	500-999	6	1.4%	500-999	8	1.5%
Acosta Sales & Marketing Co	Sales & Marketing	500-999	7	1.4%		n/a	
SuperValu	Food Distributor	500-999	8	1.4%	500-999	4	1.5%
Sales Mark	Wholesale Electronic Market	500-999	9	1.4%		n/a	
Randolph Macon College	Education	250-499 +	10	0.7%	500-999	7	1.5%
Culpeper Star Exponent	Newspaper Publisher	n/a			250-499	9	0.7%
Ukrops	Food and Beverage stores	n/a			250-499	10	0.7%
Totals		52,406		22.2%	51,483		19.5%

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 2013.

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

	Hanover County		Caroline County	
Fiscal Year	**Population**	**Unemployment Rate**	**Population**	**Unemployment Rate**
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	6.8%	28,245	8.5%
2010	100,408	6.7%	28,245	8.6%
2011	100,822	6.1%	28,545	7.7%
2012	101,586	5.6%	28,890	6.7%
2013	102,623	5.0%	29,115	6.9%
2014	104,124	5.0%	29,115	6.9%

TABLE 15
PAMUNKEY REGIONAL JAIL AUTHORITY
SCHEDULE OF INSURANCE IN FORCE
As of June 30, 2014

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Building & Personal Property	VACO	7/1/2014	As scheduled	$ 1,000
Electronic Data Processing Equipment	VACO	7/1/2014	As scheduled	$ 1,000
Earthquake/Flood	VACO	7/1/2014	$ 5,000,000	$ 25,000
Business Auto	VACO	7/1/2014	$ 5,000,000	N/A
Schedule Equipment	VACO	7/1/2014	As scheduled	$ 1,000
Boiler and Machinery	VACO	7/1/2014	As scheduled	$ 1,000
Business Interruption and Extra Expense	VACO		Included in blanket	
Workers Compensation	VACGSIA	7/1/2014	$ 1,000,000	N/A
Faithful Performance of Duty Bond *1	Commonwealth of Virginia - Division of Risk Management	7/1/2014	$ 1,000,000	N/A
Constitutional Officer *1	Commonwealth of Virginia - Division of Risk Management	7/1/2014	$ 1,000,000	$ 1,000
General Liability		7/1/2014	$ 2,000,000	N/A
Excess General Liability (Auto Also)		7/1/2014	$ 3,000,000	N/A

NA – Not Applicable

*1 – Provided by the Commonwealth of Virginia

COMPLIANCE SECTION

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, 2014, 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 30, 2014, which included a paragraph emphasizing that in fiscal year 2014, the Jail Authority retrospectively adopted new accounting guidance requiring the reclassification, as deferred out flows of resources or deferred inflows of resources, of certain items that were previously reported as assets and liabilities, and the recognition, as outflows of resources or inflows of resources, of certain items that were previously reported as assets and liabilities..

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

October 30, 2014