

RIVERSIDE REGIONAL JAIL AUTHORITY

NORTH PRINCE GEORGE, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING
JUNE 30, 2014

RIVERSIDE REGIONAL JAIL AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2013 THROUGH JUNE 30, 2014



**500 FOLAR Trail
P.O. Box 1041
North Prince George, Virginia 23860
(Prince George County)**

Prepared by Administrative Services - Finance Department

**Jeffery L. Newton, CJM
Superintendent**

**Crystal H. Reid, M.B.A.
Director of Administrative Services**

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INTRODUCTORY SECTION



Riverside Regional Jail

Colonel Jeffery L. Newton, CJM
Superintendent

September 25, 2014

The Board of Directors ***Riverside Regional Jail Authority***

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the ***Riverside Regional Jail Authority*** (Jail Authority) for the fiscal year ended June 30, 2014. The report was prepared by the Superintendent and Finance Department in accordance with accounting principles generally accepted in the United States of America for governmental accounting and reporting as promulgated by the Governmental Accounting Standards Board. The responsibility for the accuracy of information and the completeness and fairness of the presentations, including all disclosures, rests with the undersigned management of the Jail Authority. The financial statements have been audited by the independent accounting firm of Brown Edwards & Company, L.L.P. whose reports are included herein.

We believe that 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 (Operating and Canteen); and that all disclosures necessary to enable the reader to gain an understanding of the Jail Authority's financial activity have been included.

A brief history of the Jail Authority, its financial operations and selected accomplishments are presented below. In addition, Management's Discussion and Analysis precedes the basic financial statements.

PROFILE OF THE ORGANIZATION

The ***Riverside Regional Jail Authority***, a political subdivision of the Commonwealth of Virginia, was created by Chapter 726 of the 1990 Acts of the General Assembly of Virginia, and was formed on June 21, 1990. The participating jurisdictions of the Jail Authority include the Cities of Colonial Heights, Hopewell and Petersburg and the Counties of Charles City, Chesterfield, Prince George and Surry. The Jail Authority is governed by a fourteen-member board, comprised of two members from each participating jurisdiction.

The general purpose of the Jail Authority is to maintain and operate a regional jail to meet the needs of the participating jurisdictions for additional jail facilities. The regional jail is located in the County of Prince George adjacent to the Petersburg Federal Correctional Institution and houses inmates primarily from member jurisdictions. If space is available, inmates from other jurisdictions, including state and federal inmates, are accepted.

A Nationally Accredited Jail

500 FOLAR Trail, Post Office Box 1041, North Prince George, Virginia 23860

Phone: (804) 524-6600 Fax: (804) 524-6659

www.rrjva.org

ECONOMIC CONDITON AND OUTLOOK

The Jail Authority is in sound financial condition and the economic outlook is stable. The economic stability of the jail is based on the contractual obligation of each member jurisdiction to pay a per diem rate of \$40 per inmate per day.

The financial condition of the Jail Authority is primarily dependent upon the number of inmates housed at the facility. The Jail Authority saw an increase in the average daily population of inmates for fiscal year 2014. The average daily population for the member jurisdictions increased 8% over the previous fiscal year.

The Jail Authority's underlying rating on the Jail Facility Revenue Bonds, Series 2007 was lowered by Standard & Poor's Rating Services (S&P) on June 23, 2014. S&P announced the reduction of the Jail Authority's underlying rating on the 2007 Bonds to "BBB" from "A+" to reflect the lowering of its rating to "BBB" from "A+" on the general obligation bonds of the City of Petersburg, Virginia, a member jurisdiction of the Authority.

Notwithstanding the rating reduction, S&P provided a stable outlook for the Jail Authority, stating in the release "The stable outlook reflects our view of the sound financial position of the Authority, and the sound credit profile of the majority of the member jurisdictions. Despite lowering our rating on Petersburg's general obligation bonds, we expect the Authority to maintain stable financial operations."

The Jail Authority has not received any notification from the City of Petersburg that the City's use of the Jail Authority's regional jail facility will be adversely affected by the lowering of the City's general obligation bond rating by S&P. Accordingly, the Jail Authority does not expect the lowering of the underlying S&P rating on the 2007 Bonds to impact the Jail Authority's operations.

The Jail Authority notes that the S&P rating change affected S&P underlying rating on the 2007 Bonds only. The existing insured rating of S&P on the 2007 Bonds was not affected. S&P provides a rating for the Jail Authority's 2007 Bonds only.

Moody's Investor Service currently maintains an "Aa2" rating on the Authority's Series 2007 Bonds and Series 2013 Bonds. This rating remains unchanged from its last affirmation on May 31, 2013. Moody's report describes the rating as reflecting "the strong credit quality of the authority's member jurisdictions."

MAJOR INITIATIVES

In order to demonstrate compliance in correctional management, the Jail Authority was accredited by the American Correction Association (ACA) in 1999, 2002, 2006, 2010 and 2013. The accreditation program is a professional peer review process based on national standards that have evolved since the founding of the ACA in 1870. ACA standards address services, programs and operations essential to effective correctional management. Standards set by ACA reflect practical up-to-date policies and procedures and function as a management tool for agencies and facilities throughout the world. The Jail Authority is one of over 1300 correctional organizations currently involved in the accreditation process across the nation and represents one of only ten of the state's sixty-four jails to be certified by ACA. The Jail Authority received a 98.1 percent score on the ACA audit that was conducted in January 2013.

The Jail Authority received certification from the Virginia State Board of Corrections in March 2014. An extensive audit was conducted and the Jail Authority received unconditional certification, a grade of 100 percent under the Board of Corrections standards.

The Jail Authority also received its first certification for compliance with the provisions of the Prison Rape Elimination Act (PREA). The act was passed in 2003. The purpose of the act is to provide for the analysis of the incidence and effects of prison rape in Federal, State and local institutions and to provide information, resources, recommendations and funding to protect individuals from prison rape. During the inspection, it was noted by the PREA auditor that the Jail Authority was in full compliance with the PREA standards and in four areas had found the Jail Authority exceeding the standards.

MAJOR INITIATIVES (Continued)

An initial audit was conducted during the fiscal year by the National Commission on Correctional Healthcare to determine the Jail Authority's compliance in the provision quality of health care for inmates. The Jail Authority is still waiting a final accreditation determination.

FINANCIAL CONTROLS

The accounting system of the Jail Authority is dependent upon a strong system of internal accounting controls to ensure that financial information generated is both accurate and reliable. The Jail Authority's internal controls are designed to ensure that the assets of the Jail Authority are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments made by management.

All internal control evaluations occur with the above framework. We believe that the Jail Authority's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Jail Authority maintains budgetary controls to ensure compliance with the annual budget approved by the Authority Board.

LONG-TERM FINANCIAL PLANNING

As part of the annual budget process, estimated revenues and justification of those revenues are forecasted for future trends. The process focuses on operating revenues and expenses as well as debt service and investment income. The Jail Authority is committed to maintaining a sustainable long-term financial plan.

BASIS OF ACCOUNTING

The financial records of the Operating and Canteen Funds are maintained on the accrual basis of accounting, which requires that revenues be recorded when the earning process is complete and that expenses be recorded as liabilities are incurred. Therefore, revenues include amounts that have been earned but not collected and expenses include liabilities that have been incurred but not paid.

INDEPENDENT AUDIT

State statute requires an annual audit by independent certified public accountants. The public accounting firm of Brown, Edwards & Company, L.L.P. was selected by the Jail Authority's Audit Committee to perform the audit for the fiscal year ended June 30, 2014. The independent auditor's report on the financial statements is included in the financial section of this report.

AWARDS AND ACHIEVEMENTS

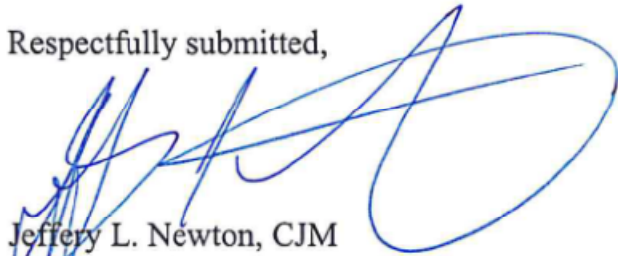
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Riverside Regional Jail Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the sixteenth consecutive year that Riverside Regional Jail Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The 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 requirements of the Certificate of Achievement program and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

The preparation of this report could not be accomplished without the efficient and dedicated efforts of the employees of the Riverside Regional Jail Authority. Of special mention are Donna Albanese, Christine Beach, Patricia Fazio, Michelle Jackson, and Maria Montijo.

Respectfully submitted,

A large, stylized handwritten signature in blue ink, likely belonging to Jeffery L. Newton, the Superintendent.

Jeffery L. Newton, CJM
Superintendent

A handwritten signature in blue ink, likely belonging to Crystal H. Reid, the Director of Administrative Services.

Crystal H. Reid, MBA
Director of Administrative Services

CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

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

Presented to

**Riverside Regional Jail Authority
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2014

Chair

William E. Johnson, III
City of Petersburg

Vice Chair

Percy C. Ashcraft
Prince George County

Secretary/Treasurer

Dr. Sheryl D. Bailey
Chesterfield County

Other Members

Sheriff Luther H. Sodat, Jr.
City of Hopewell

Mark A. Haley
City of Hopewell

Sheriff Todd B. Wilson
City of Colonial Heights

William E. Johnson
City of Colonial Heights

Sheriff Javier J. Smith
Charles City County

Zach Trogon
Charles City County

Sheriff Alvin W. Clayton, Sr.
Surry County

Tyronne W. Franklin
Surry County

Sheriff Vanessa R. Crawford
City of Petersburg

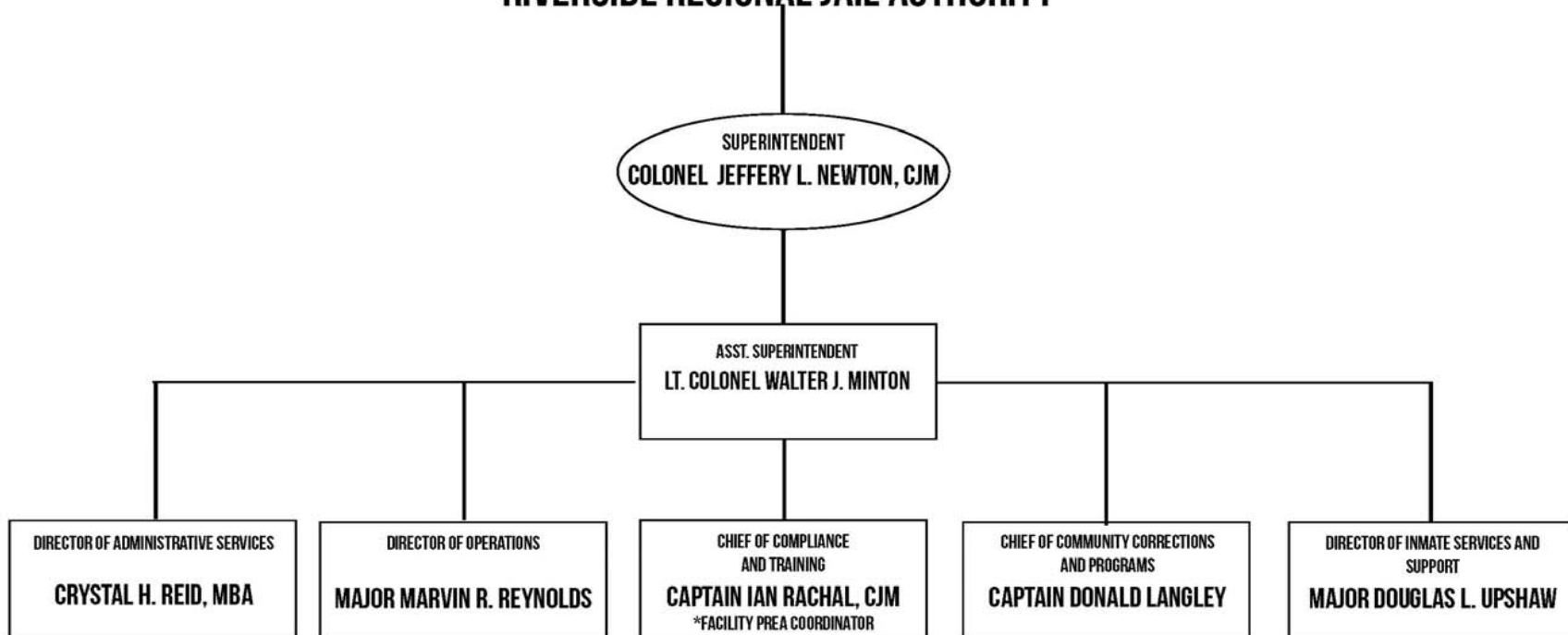
Sheriff Karl S. Leonard
Chesterfield County

Sheriff H. E. Allin, III
Prince George County

William H. Hefty, Esq.
Counsel

Jeffery L. Newton, CJM
Superintendent

RIVERSIDE REGIONAL JAIL AUTHORITY



FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Riverside Regional Jail Authority
Hopewell, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Riverside Regional Jail Authority (the "Authority") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority, as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, the Authority adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
September 25, 2014

Riverside Regional Jail Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2014

As management of Riverside Regional Jail Authority (Jail Authority), we offer readers of the Riverside Regional Jail Authority's financial statements this narrative overview and analysis of the financial activities of the Riverside Regional Jail for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented and it should be read in conjunction with the letter of transmittal and the Jail Authority's financial statements, which follow in this analysis.

Financial Highlights

- The Jail Authority's change in net position was \$3,906,654 as a result of this year's operating and non-operating financial activities.
- The Jail Authority's operating and non-operating revenues increased approximately \$2.9 million or approximately 7.4%, and operating and non-operating expenses decreased approximately \$0.4 million, or approximately 1.1%.
- The Jail Authority investment in capital assets decreased by approximately \$5.7 million, or 8.7%.
- The Jail Authority met its financial obligations with regard to the Series 2007 and Series 2013 bonds, making principal payments totaling \$340,000 and approximately \$3 million into the 2007 and 2013 Bond Funds for upcoming drawdowns by the Trustee.
- Standard & Poor's Rating Services (S&P) lowered its underlying rating on the Jail Authority's outstanding Jail Facility Revenue bonds to "BBB" from "A+" on June 23, 2014. S&P announced the reduction of the Jail Authority's underlying rating on the 2007 Bonds to "BBB" from "A+" to reflect the lowering of its rating to "BBB" from "A+" on the general obligation bonds of the City of Petersburg, Virginia, a member jurisdiction of the Authority.
- Notwithstanding the rating reduction, S&P provided a stable outlook for the Jail Authority.
- Moody's Investor Service currently maintains an "Aa2" rating on the Authority's Series 2007 Bonds and Series 2013 Bonds. This rating remains unchanged from its last affirmation on May 31, 2013. Moody's report describes the rating as reflecting "the strong credit quality of the authority's member jurisdictions."
- The Jail Authority average daily population increased 105 inmates, or 7.4%.

Using this Annual Report

The Financial Section of this Annual Report consists of the Report of Independent Auditors, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, and the Compliance Report. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

The MD&A serves as an introduction to the basic financial statements and supplementary information along with management's examination and analysis of the financial condition and performance.

The Jail Authority maintains two funds, Operating and Canteen, which are accounted for as enterprise funds. This is an accounting method that is similar to that used by private sector companies. The Statement of Net Position includes the nature and amounts of investments in resources (assets), deferred outflows of resources and obligations to creditors (liabilities). The Statement of Revenues, Expenses and Changes in Fund Net Position report all of the current year's revenue and expenses. This statement measures the success of the Jail Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities. The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Jail Authority's accounting policies, significant account balances and activities, obligations, commitments, segment information, contingencies and subsequent events, if any.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of Riverside Regional Jail Authority, assets exceeded liabilities by \$105,787,746 at June 30, 2014. The Jail Authority's total Operating Fund net position increased by \$3,967,425 as compared to last year and the Canteen Fund net position decreased by \$60,771. Our detailed analysis that follows focuses on the change in net position and the resulting changes in assets and liabilities of both the Operating Fund and Canteen Fund in the aggregate.

Operating Fund and Canteen Fund

	2014	2013	Increase (Decrease)	
			Dollars	Percent
Capital assets - net	\$ 153,797,830	\$ 156,522,859	\$ (2,725,029)	(1.7) %
Current assets and investments	50,284,919	43,730,758	6,554,161	15.0 %
Total assets	\$ 204,082,749	\$ 200,253,617	\$ 3,829,132	1.9 %
Deferred outflows of resources	\$ 1,953,516	\$ 2,236,824	\$ (283,308)	(12.7) %
Long-term liabilities - net	\$ 92,658,145	\$ 96,555,315	\$ (3,897,170)	(4.0) %
Other liabilities	7,590,374	4,054,034	3,536,340	87.2 %
Total liabilities	\$ 100,248,519	\$ 100,609,349	\$ (360,830)	(0.4) %
Net position:				
Net investment in capital assets	\$ 60,702,234	\$ 66,463,717	\$ (5,761,483)	(8.7) %
Restricted	19,757,014	15,596,539	4,160,475	26.7 %
Unrestricted	25,328,498	19,820,836	5,507,662	27.8 %
Total net position	\$ 105,787,746	\$ 101,881,092	\$ 3,906,654	3.8 %

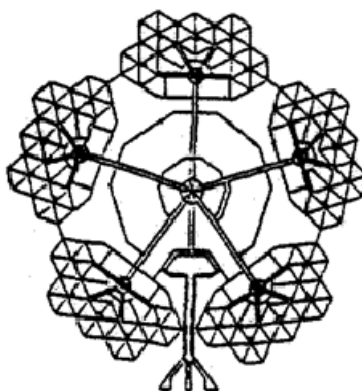
The Operating Fund and Canteen Fund had a combined change in net position of \$3,906,654. The total net position change was impacted by changes in several revenue and expense categories. Please see Table on next page for a breakdown of the fluctuation by revenue and expense category.

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

Operating Fund and Canteen Fund

	2014	2013	Increase (Decrease)	
			Dollars	Percent
Operating revenues:				
Inmate housing	\$ 25,721,049	\$ 23,256,688	\$ 2,464,361	10.6 %
State Compensation Board	13,385,391	12,726,338	659,053	5.2 %
Work release	243,207	294,850	(51,643)	(17.5) %
Canteen sales	1,545,388	1,357,162	188,226	13.9 %
Non-operating revenues:				
Interest revenue	346,856	572,409	(225,553)	(39.4) %
Telephone commissions	614,442	633,036	(18,594)	(2.9) %
Miscellaneous income	94,182	199,255	(105,073)	(52.7) %
Daily incarceration fees	278,045	262,236	15,809	6.0 %
Total revenues	<u>\$ 42,228,560</u>	<u>\$ 39,301,974</u>	<u>\$ 2,926,586</u>	<u>7.4 %</u>
Operating expenses:				
Salaries and wages	\$ 13,642,700	\$ 13,758,502	\$ (115,802)	(0.8) %
Fringe benefits	4,671,817	4,426,271	245,546	5.5 %
Contractual services	1,390,918	1,268,453	122,465	9.7 %
Materials and supplies	551,661	456,643	95,018	20.8 %
Medical services and supplies	5,439,134	5,326,272	112,862	2.1 %
Food services and supplies	1,509,434	1,400,026	109,408	7.8 %
Repairs and maintenance	979,798	688,519	291,279	42.3 %
Utilities	2,060,824	2,094,137	(33,313)	(1.6) %
Depreciation	3,675,804	3,508,674	167,130	4.8 %
Other	589,150	496,778	92,372	18.6 %
Non-operating expenses:				
Interest expense	4,166,054	4,735,369	(569,315)	(12.0) %
Bond discount	(355,388)	578,919	(934,307)	(161.4) %
Total expenses	<u>\$ 38,321,906</u>	<u>\$ 38,738,563</u>	<u>\$ (416,657)</u>	<u>(1.1) %</u>
Change in net position	\$ 3,906,654	\$ 563,411	\$ 3,343,243	593.4 %
Beginning net position(*)	<u>101,881,092</u>	<u>101,317,681</u>	<u>563,411</u>	<u>0.6 %</u>
Ending net position	<u>\$ 105,787,746</u>	<u>\$ 101,881,092</u>	<u>\$ 3,906,654</u>	<u>3.8 %</u>

* The beginning net position for fiscal year 2013 has been restated to reflect GASB 65, "Items Previously Reported as Assets and Liabilities."



Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2014, the Jail Authority had \$153,797,830, net of depreciation, invested in a broad range of capital assets (Operating and Canteen Funds), including land, buildings, vehicles, office and computer equipment. This amount represents a net decrease (including additions and deletions) of \$2,725,029 over last year. Depreciation expense was \$3,675,804 for fiscal year 2014.

The following table summarizes the Jail Authority's capital assets, net of accumulated depreciation, as of June 30, 2014 and 2013 for Operating and Canteen Funds combined.

	2014	2013
Buildings	\$ 150,792,970	\$ 153,873,488
Furniture and equipment	2,451,258	2,152,604
Land	322,584	322,584
Land improvements	29,789	32,081
Vehicles	119,104	111,217
Computers	82,125	30,885
Total capital assets (net of accumulated depreciation)	<u>\$ 153,797,830</u>	<u>\$ 156,522,859</u>

The following table summarizes the changes in capital assets for both Operating and Canteen Funds. These changes are presented in more detail in the schedule in note 7 to the financial statements.

	2014	2013
Balance at beginning of year	\$ 188,513,174	\$ 184,909,069
Additions	950,845	3,688,919
Deletions	(46,527)	(62,535)
Accumulated depreciation	<u>(35,619,662)</u>	<u>(32,012,594)</u>
Balance at end of year	<u>\$ 153,797,830</u>	<u>\$ 156,522,859</u>

This year major capital asset additions include the following:

- Fixtures, furniture and equipment
- Renovations to housing units
- Vehicles

Long-Term Debt

At year-end, the Jail Authority had bonded debt of \$90,240,000 outstanding as compared to fiscal year 2013 outstanding bonds in the amount of \$90,580,000. Additional information on the bonds is contained in Note 5.

Economic Factors and Next Year's Budgets and Rates

- The average daily inmate population continues to rise.
- The per diem rate remains at \$40 for member jurisdictions.
- The number of inmates participating in the Intergovernmental Agreement (IGA) with the Federal Bureau of Prisons remains steady.
- The Jail Authority plans to maintain its 2015 Annual Budget with limited increases in expenses.

All of these factors were considered in preparing the Jail Authority's budget for the 2015 fiscal year.

Contacting the Jail Authority's Financial Management

The financial report is designed to provide our customers, bondholders and creditors with a general overview of the Jail Authority's financial position and to demonstrate the Jail Authority's accountability for revenues received. Questions concerning information provided in this report or requests for additional financial information should be directed to the Jail Authority's Director of Administrative Services at 804-524-6604 or Riverside Regional Jail Authority, P. O. Box 1041, 500 FOLAR Trail, North Prince George, Virginia 23860. E-mail requests may be sent to: creid@rrjva.org.

BASIC FINANCIAL STATEMENTS

RIVERSIDE REGIONAL JAIL AUTHORITY

STATEMENT OF NET POSITION

June 30, 2014

	Operating Fund	Canteen Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 20,517,834	\$ -	\$ 20,517,834
Cash and cash equivalents, restricted (Note 2)	5,472,841	507,054	5,979,895
Accounts receivable (Note 3)	5,684,466	-	5,684,466
Total current assets	31,675,141	507,054	32,182,195
Noncurrent assets			
Cash and cash equivalents, restricted (Note 2)	18,102,724	-	18,102,724
Capital assets:			
Nondepreciable (Note 4)	322,584	-	322,584
Depreciable, net (Note 4)	153,475,246	-	153,475,246
Total noncurrent assets	171,900,554	-	171,900,554
Total assets	203,575,695	507,054	204,082,749
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from refunding of debt	1,953,516	-	1,953,516
Total deferred outflows of resources	1,953,516	-	1,953,516
LIABILITIES			
Current liabilities			
Accounts payable	1,022,377	84,083	1,106,460
Accrued liabilities	369,072	5,344	374,416
Compensated absences payable - current portion (Note 5)	645,680	6,804	652,484
Amounts held for others	173,987	-	173,987
Accrued interest payable	2,083,027	-	2,083,027
Bonds payable - current portion (Note 5)	3,200,000	-	3,200,000
Total current liabilities	7,494,143	96,231	7,590,374
Long-term liabilities			
Compensated absences payable, net of current portion (Note 5)	800,597	8,436	809,033
Bonds payable, net of current portion (Note 5)	91,849,112	-	91,849,112
Total long-term liabilities	92,649,709	8,436	92,658,145
Total liabilities	100,143,852	104,667	100,248,519
NET POSITION			
Net investment in capital assets	60,702,234	-	60,702,234
Restricted for:			
Debt service	11,207,672	-	11,207,672
Operating reserve	7,838,054	-	7,838,054
Repair and replacement reserve	308,901	-	308,901
Canteen funds	-	402,387	402,387
Unrestricted	25,328,498	-	25,328,498
Total net position	\$ 105,385,359	\$ 402,387	\$ 105,787,746

RIVERSIDE REGIONAL JAIL AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2014

	<u>Operating Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services - inmate housing	\$ 25,721,049	\$ -	\$ 25,721,049
State Compensation Board	13,385,391	-	13,385,391
Work release	243,207	-	243,207
Canteen sales	-	1,545,388	1,545,388
Total operating revenues	<u>39,349,647</u>	<u>1,545,388</u>	<u>40,895,035</u>
OPERATING EXPENSES			
Salaries and wages	13,463,920	178,780	13,642,700
Fringe benefits	4,641,424	30,393	4,671,817
Contractual services	404,946	985,972	1,390,918
Materials and supplies	297,352	254,309	551,661
Medical services and supplies	5,439,134	-	5,439,134
Food services and supplies	1,450,795	58,639	1,509,434
Repairs and maintenance	979,798	-	979,798
Utilities	2,060,824	-	2,060,824
Depreciation	3,675,804	-	3,675,804
Other expenses	491,084	98,066	589,150
Total operating expenses	<u>32,905,081</u>	<u>1,606,159</u>	<u>34,511,240</u>
Operating income (loss)	<u>6,444,566</u>	<u>(60,771)</u>	<u>6,383,795</u>
NONOPERATING REVENUES (EXPENSES)			
Telephone commissions	614,442	-	614,442
Interest revenue	346,856	-	346,856
Daily incarceration fees	278,045	-	278,045
Miscellaneous income	94,182	-	94,182
Interest expense	(3,810,666)	-	(3,810,666)
Total nonoperating revenue (expenses)	<u>(2,477,141)</u>	<u>-</u>	<u>(2,477,141)</u>
Change in net position	3,967,425	(60,771)	3,906,654
NET POSITION -- AT JULY 1, AS RESTATED (Note 9)	<u>101,417,934</u>	<u>463,158</u>	<u>101,881,092</u>
NET POSITION -- AT JUNE 30	<u><u>\$ 105,385,359</u></u>	<u><u>\$ 402,387</u></u>	<u><u>\$ 105,787,746</u></u>

RIVERSIDE REGIONAL JAIL AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

	Operating Fund	Canteen Fund	Total
OPERATING ACTIVITIES			
Receipts from jurisdictions	\$ 25,020,884	\$ -	\$ 25,020,884
Receipts from state agencies	13,386,031	-	13,386,031
Receipts from canteen sales	-	1,545,388	1,545,388
Telephone commissions and miscellaneous income received	986,738	-	986,738
Receipts on behalf of employees and inmates	6,178	-	6,178
Payments to suppliers	(11,296,796)	(1,350,456)	(12,647,252)
Payments to employers	(18,324,184)	(205,135)	(18,529,319)
Net cash provided by (used in) operating activities	9,778,851	(10,203)	9,768,648
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(950,844)	-	(950,844)
Principal paid on capital debt	(340,000)	-	(340,000)
Interest paid on capital debt	(3,213,234)	-	(3,213,234)
Net cash used in capital and related financing activities	(4,504,078)	-	(4,504,078)
INVESTING ACTIVITIES			
Sales of restricted investments	11,805,044	-	11,805,044
Purchase of restricted investments	(4,449,216)	-	(4,449,216)
Interest income received	346,856	-	346,856
Net cash provided by investing activities	7,702,684	-	7,702,684
Net increase (decrease) in cash and cash equivalents	12,977,457	(10,203)	12,967,254
CASH AND CASH EQUIVALENTS			
Beginning at July 1	31,115,942	517,257	31,633,199
Ending at June 30	\$ 44,093,399	\$ 507,054	\$ 44,600,453
RECONCILIATION TO EXHIBIT 1			
Cash and cash equivalents	\$ 20,517,834	\$ -	\$ 20,517,834
Cash and cash equivalents, restricted	5,472,841	507,054	5,979,895
Cash and cash equivalents - non-current, restricted	18,102,724	-	18,102,724
	\$ 44,093,399	\$ 507,054	\$ 44,600,453
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 6,444,566	\$ (60,771)	\$ 6,383,795
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	3,675,804	-	3,675,804
Loss on disposal of capital assets	69	-	69
Telephone commissions and miscellaneous income	986,669	-	986,669
Changes in assets and liabilities:			
Accounts receivable	(942,732)	-	(942,732)
Accounts payable	(172,863)	46,530	(126,333)
Accrued liabilities	46,729	162	46,891
Compensated absences payable	(265,569)	3,876	(261,693)
Amounts held for others	6,178	-	6,178
Net cash provided by (used in) operating activities	\$ 9,778,851	\$ (10,203)	\$ 9,768,648

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Riverside Regional Jail Authority (the "Authority") is a political subdivision of the Commonwealth of Virginia created by Chapter 726 of the 1990 Acts of the General Assembly of Virginia and was formed on June 21, 1990. The purpose of the Authority is to maintain and operate a regional jail to meet the needs of the participating jurisdictions for additional jail facilities.

The Authority is governed by a fourteen-member board, comprised of the local Sheriff and an individual appointed by the governing body of each jurisdiction.

Measurement focus and basis of accounting:

The Authority maintains two funds, Operating and Canteen and its financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges for services for inmate housing and revenue from the State Compensation Board. Operating expenses include salaries, wages and fringe benefits, medical services and supplies, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents:

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities three months or less from the date of acquisition.

Revenue recognition and accounts receivable:

Operating revenues are recognized as revenue when billed. Per diem charges and reimbursements from the Commonwealth of Virginia are billed monthly. Unbilled revenues through year end are accrued. Given the Authority's relationship with its member jurisdictions and prior history, no allowance has been established for uncollectible accounts.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets:

Capital assets, if purchased or constructed, are recorded at cost. It is the Authority's policy to capitalize capital assets with a cost basis of \$5,000 or more. Items below this threshold are expensed in the period acquired. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized. Maintenance and repairs which do not increase the capacity or efficiency of the item or extend its useful life are expensed.

The Authority provides for depreciation using the straight-line method over the following estimated useful lives:

Buildings	60 years
Land improvements	15 years
Furniture and equipment	10 years
Vehicles	5 years
Computers	3 years

Compensated absences:

The Authority grants vacation and sick leave in varying amounts as services are provided. Employees are compensated, with limits, for unused vested vacation leave upon termination, retirements, or death. Compensation for unused vacation leave is limited to twice an employee's annual accrual. Employees may accumulate an unlimited amount of sick leave, which is forfeited upon separation from the Authority, except when separation is the result of retirement. Employees who retire with at least five years of service to the Authority are compensated for up to \$5,000 of unused sick leave. Employees who are required to work overtime and holidays earn compensatory and holiday leave, respectively.

Net position:

Net position is the difference between assets, deferred outflows of resources, and liabilities. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources:

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category, deferred amounts on refunding of debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Note 2. Deposits and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and 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 that choice, will pledge collateral that ranges in amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof; 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 and certain corporate notes, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP) and the Commonwealth of Virginia State Non-Arbitrage Program (SNAP).

Credit risk:

The Authority's policy limits investments to instruments specified in Section 26-40 of the *Code of Virginia*.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Deposits and Investments (Continued)

Interest rate risk:

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Authority does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The operating funds of the Authority are by nature short-term and are not considered to have investment rate risk.

As of June 30, 2014, the Authority's deposits and investments consisted of the following:

Type	Fair Value	S&P Credit Rating
Deposits:		
Demand Deposits	\$ 13,945,538	N/A
Demand Deposits - General Surplus Fund	7,252,438	N/A
Cash on hand	900	N/A
Money Market – SNAP	8,201,483	AAA
Money Market	15,200,094	AAA
Total deposits	<u>44,600,453</u>	

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 20,517,834
Cash and cash equivalents, restricted	5,979,895
Cash and cash equivalents - long term, restricted	<u>18,102,724</u>
	<u>\$ 44,600,453</u>

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Deposits and Investments (Continued)

Restricted amounts:

Details on restricted cash and cash equivalents are as follows:

Cash held for inmates	\$ 165,786
Employee association	8,201
2007 Bond fund, fiscal year 2015 payment	1,492,048
2013 Bond fund, fiscal year 2015 payment	3,806,806
Inmate canteen funds	507,054
Cash and cash equivalents – restricted	<u>\$ 5,979,895</u>
Construction fund	\$ 2,554,903
Operating reserve	7,838,054
Repair and replacement reserve	308,901
Arbitrage rebate reserve	54,528
Debt service reserve fund	7,346,338
Cash and cash equivalents – non-current, restricted	<u>\$ 18,102,724</u>

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Member jurisdictions	\$ 3,346,440
Commonwealth of Virginia	2,025,459
Federal agencies	310,275
Other	2,292
	<u>\$ 5,684,466</u>

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets

Capital asset activity for the operating fund for the year was as follows:

	Beginning July 1	Increases	Decreases	Ending June 30
Capital assets, nondepreciable				
Land	\$ 322,584	\$ -	\$ -	\$ 322,584
Total capital assets, nondepreciable	<u>322,584</u>	<u>-</u>	<u>-</u>	<u>322,584</u>
Capital assets, depreciable				
Buildings and improvements	181,383,359	99,389	-	181,482,748
Furniture and equipment	5,516,234	737,586	45,101	6,208,719
Computers	736,838	69,302	1,426	804,714
Vehicles	519,787	44,567	-	564,354
Land improvements	<u>34,373</u>	<u>-</u>	<u>-</u>	<u>34,373</u>
Total capital assets, depreciable	<u>188,190,591</u>	<u>950,844</u>	<u>46,527</u>	<u>189,094,908</u>
Less accumulated depreciation:				
Buildings and improvements	27,509,871	3,179,907	-	30,689,778
Furniture and equipment	3,363,632	438,861	45,032	3,757,461
Computers	705,953	18,062	1,426	722,589
Vehicles	408,568	36,682	-	445,250
Land improvements	<u>2,292</u>	<u>2,292</u>	<u>-</u>	<u>4,584</u>
Total accumulated depreciation	<u>31,990,316</u>	<u>3,675,804</u>	<u>46,458</u>	<u>35,619,662</u>
Total capital assets depreciable, net	<u>156,200,275</u>	<u>(2,724,960)</u>	<u>69</u>	<u>153,475,246</u>
Total capital assets, net	<u><u>\$ 156,522,859</u></u>	<u><u>\$ (2,724,960)</u></u>	<u><u>\$ 69</u></u>	<u><u>\$ 153,797,830</u></u>

(Continued)

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (Continued)

Capital asset activity for the canteen fund for the year was as follows:

	Beginning July 1	Increases	Decreases	Ending June 30
Capital assets, depreciable				
Computers	\$ 22,278	\$ -	\$ 20,610	\$ 1,668
Total capital assets, being depreciated	22,278	-	20,610	1,668
Less accumulated depreciation:				
Computers	22,278	-	20,610	1,668
Total accumulated depreciation	22,278	-	20,610	1,668
Total capital assets depreciable, net	-	-	-	-
Total capital assets, net	\$ -	\$ -	\$ -	\$ -

Note 5. Long-Term Liabilities

Long-term liability activities for the year were as follows:

	Beginning July 1	Additions	Reductions	Ending June 30	Due Within One Year
Jail Facility Revenue Bonds	\$ 90,580,000	\$ -	\$ 340,000	\$ 90,240,000	\$ 3,200,000
Issuance premiums	5,447,807	-	638,695	4,809,112	-
	96,027,807	-	978,695	95,049,112	3,200,000
Compensated absences	1,723,210	1,755,754	2,017,447	1,461,517	652,484
Total long-term liabilities	\$ 97,751,017	\$ 1,755,754	\$ 2,996,142	\$ 96,510,629	\$ 3,852,484

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (Continued)

The annual requirements to amortize bond principal and related interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,200,000	\$ 4,145,184	\$ 7,345,184
2016	3,320,000	4,023,750	7,343,750
2017	3,425,000	3,919,463	7,344,463
2018	3,530,000	3,811,281	7,341,281
2019	3,640,000	3,699,675	7,339,675
2020-2024	20,750,000	15,960,002	36,710,002
2025-2029	26,320,000	10,386,475	36,706,475
2030-2033	26,055,000	3,306,350	29,361,350
	<u>\$ 90,240,000</u>	<u>\$ 49,252,180</u>	<u>\$ 139,492,180</u>

Details of long-term indebtedness are as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Average Interest Rate</u>	<u>Amount Outstanding</u>
Series 2007 Jail Facility Revenue Bonds	08/07/2007	07/01/2032	\$ 47,220,000	4.26%	\$ 46,215,000
Series 2013 Jail Facility Revenue Bonds	06/27/2013	07/01/2032	\$ 44,025,000	4.27%	\$ 44,025,000
					<u>\$ 90,240,000</u>

The Authority's debt agreements contain certain financial covenants with which the Authority was in compliance at June 30, 2014.

Prior Year Defeasance of Debt:

In June 2013, the Authority issued \$44,025,000 in Jail Facility Refunding Revenue bonds with an average interest rate of 4.27%. These bonds were issued to refund and defease approximately \$48,085,000 in outstanding bond issuances in 2003. The net proceeds of the refunding were \$48,442,068 (including \$4,536,083 in bond premium and payment of \$119,015 in underwriting fees). The liability for the refunded bonds has been replaced with the liability from the new debt with the difference between the reacquisition price and the net carrying amount of the old debt being deferred and amortized over the life of the new debt in proportion to the stated interest due on the new debt. As of June 30, 2014, all amounts related to the defeased bonds described above have been satisfied.

The Authority refunded these bonds to reduce its total debt service over the next 19 years by \$7,142,086 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,180,393.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan

Plan Description

The 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 (the "System"). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

VRS PLAN 1

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.

Hybrid Opt-In Election – VRS non-hazardous duty covered plan 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 Plan 1 members who opted in 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 were not eligible to elect the Hybrid Retirement Plan and remain as plan members 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.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

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.

Vesting – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

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.

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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.

Normal Retirement Age – Age 65.

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 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 Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

VRS PLAN 1 (Continued)

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%.

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.

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 is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- 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.

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. VSDP members 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. 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.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

VRS PLAN 2

VRS Plan 2 is the same as VRS Plan 1 except for the following:

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.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

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 of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

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%.

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

HYBRID RETIREMENT PLAN

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

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.

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

- 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 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

***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.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

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

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

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 of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years 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.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Vesting (Continued)

Distribution is not required by law until age 70½.

Calculating the Benefit

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 – 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 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

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

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 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.

Defined Benefit Component: Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

HYBRID RETIREMENT PLAN (Continued)

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as VRS Plan 2.

Defined Contribution Component: Not applicable.

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.

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* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended June 30, 2014 was 10.17 % of the annual covered payroll.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For fiscal year ended June 30, 2014, the Authority's annual pension cost of \$1,502,639 for VRS was equal to the required and actual contributions.

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	Annual Pension	Percentage of	Net Pension
	Cost	APC	
	(APC)	Contributed	Obligation
June 30, 2014	\$ 1,502,639	100%	\$ -
June 30, 2013	\$ 1,472,156	100%	\$ -
June 30, 2012	\$ 1,685,106	100%	\$ -

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

The actuarial value of the Authority assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 97.53% funded. The actuarial accrued liability for benefits was \$28,960,947, and the actuarial value of assets was \$28,248,530, resulting in an UAAL of \$715,417. The covered payroll (annual payroll of active employees covered by the plan) was \$13,287,404, and the ratio of the UAAL to the covered payroll was 5.38%.

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 plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Deferred Compensation Plan

The Authority has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to Internal Revenue Code Section 457 limitations. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the plan are administered by a third party administrator. In compliance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan's participants and beneficiaries. Consequently, these assets and the related liability are not reported in the accompanying financial statements.

Note 8. 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 insurance and worker's compensation is provided through the Virginia Municipal League Insurance Programs (VML). The purpose of VML is to create and administer group self-insurance pools for political subdivisions of the Commonwealth of Virginia pursuant to the authority provided in Chapter 27 of Title 15.2 of the Code of Virginia. The VML is managed by a nine member Supervisory Board who is elected by members at their annual meeting. Annual rates are based on estimated claims and reserve requirements. Pool deficits, should they materialize, will be eliminated through the levy of an additional assessment upon Association members.

General liability and faithful performance of duty bond coverages are provided by the Commonwealth of Virginia, Department of General Services and the Division of Risk Management. There was no reduction in insurance coverage for the year ended June 30, 2014 or claims not covered by existing policies.

Claims have not exceeded coverage for the last three fiscal years.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 9. Restatement of Net Position

Ending net position for the year ended June 30, 2013 has been restated to properly reflect amounts in accordance with implementing **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***. This standard requires the reclassification of items as deferred outflows and inflows that were previously reported as assets and liabilities. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred, except any portion related to prepaid insurance costs. Bond issuance costs that were capitalized as a part of various debt issuances in prior years were required to be retroactively expensed as reflected below.

Operating Fund net position, June 30, 2013	\$ 103,163,253
Retroactive expensing of bond issuance costs	<u>(1,745,319)</u>
Operating Fund net position, June 30, 2013, as restated	<u>\$ 101,417,934</u>

Note 10. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with GASB Statement No. 34. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. New Accounting Standards (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68 was issued to address an issue regarding application of the transition provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

Management is aware of these standards, however has not yet incorporated these changes into the accounting records and financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE REGIONAL JAIL AUTHORITY

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PLAN
June 30, 2014

Defined Benefit Pension Plan – Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
June 30, 2013	\$ 28,245,530	\$ 28,960,947	\$ 715,417	97.53%	\$ 13,287,404	5.38%
June 30, 2012	25,557,053	27,043,079	1,486,026	94.50%	13,219,984	11.24%
June 30, 2011	24,079,245	25,231,093	1,151,848	95.43%	13,835,805	8.33%

STATISTICAL SECTION

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

Financial Trends

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

Tables 1-2

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the Authority's ability to generate its revenues.

Tables 3 - 4

Debt Capacity

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

Table 5

Demographic and Economic Information

The table offers demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other governments.

Table 6

Operating Information

This table contains information about the Authority's operations and resources by full-time equivalent employees by function.

Table 7

Other Information

These tables present a summary of capital assets and related accumulated depreciation, by category and insurance coverage in force separated by type and insurance company and outstanding debt by type.

Tables 8 - 10

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

TABLE 1

RIVERSIDE REGIONAL JAIL AUTHORITY
NET POSITION BY COMPONENT

Last Ten Fiscal Years	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 60,702,234	\$* 66,463,717	\$ 65,847,316	\$ 66,809,229	\$ 19,218,446	\$ 20,883,322	\$ 13,255,361	\$ 23,042,051	\$ 20,896,098	\$ 19,624,138
Restricted	19,757,014	15,596,539	20,096,513	20,354,400	71,523,261	23,929,384	28,973,307	14,822,297	22,090,891	22,753,255
Unrestricted	25,328,498	* 19,820,836	17,119,171	13,491,881	11,986,242	19,229,219	14,341,180	14,382,714	7,979,429	5,904,736
Total Net Assets	<u>\$ 105,787,746</u>	<u>\$ 101,881,092</u>	<u>\$ 103,063,000</u>	<u>\$ 100,655,510</u>	<u>\$ 102,727,949</u>	<u>\$ 64,041,925</u>	<u>\$ 56,569,848</u>	<u>\$ 52,247,062</u>	<u>\$ 50,966,418</u>	<u>\$ 48,282,129</u>

* Restated for implementation of GASB No. 65

TABLE 2

RIVERSIDE REGIONAL JAIL AUTHORITY
CHANGES IN NET POSITION

Last Ten Fiscal Years	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues										
Charges for services- inmate housing	\$ 25,721,049	\$ 23,256,688	\$ 23,155,970	\$ 22,692,000	\$ 19,640,607	\$ 19,132,352	\$ 20,781,683	\$ 19,499,515	\$ 18,688,456	\$ 17,419,424
State Compensation Board	13,385,391	12,726,338	12,735,177	12,493,133	10,710,641	7,078,241	9,433,856	8,684,980	8,174,818	7,802,311
Federal Grants passed through the Commonwealth of Virginia										
Reimbursements	-	-	-	-	616,930	2,756,813	-	-	-	-
Per diems, net of recoveries	-	-	-	-	-	658,415	-	-	-	-
Work Release	243,207	294,850	225,927	105,214	164,329	157,655	183,377	164,234	237,000	209,214
Canteen sales- net 2005-2010, gross 2011-2014	1,545,388	1,357,162	1,096,987	1,018,362	417,026	415,649	440,090	475,637	411,016	395,992
Nonoperating revenues										
Interest Revenue	346,856	572,409	569,367	562,790	783,887	3,225,177	4,944,678	1,753,238	1,622,327	1,035,486
Miscellaneous income	94,182	199,255	132,127	292,306	340,703	113,059	99,617	54,149	71,769	84,285
Telephone Commissions	614,442	633,036	488,040	467,910	411,611	375,404	411,248	326,296	318,532	316,710
Daily incarceration fees	278,045	262,236	250,911	246,560	252,159	229,165	231,172	225,660	216,635	228,250
RSAT grant revenue	-	-	-	-	-	65,996	64,921	59,454	60,597	-
Commonwealth of Virginia reimbursements	-	-	-	-	-	5,420,483	-	-	-	-
Total revenues	42,228,560	39,301,974	38,654,506	37,878,275	33,337,893	39,628,409	36,590,642	31,243,163	29,801,150	27,491,672
Operating expenses										
Salaries and Wages	13,642,700	13,758,502	13,722,458	14,358,464	14,381,868	13,214,293	12,546,749	11,751,202	10,779,381	10,351,239
Fringe Benefits	4,671,817	4,426,271	4,650,730	5,028,687	4,626,749	3,904,974	3,836,145	3,774,622	3,312,251	3,092,593
Contractual services	1,390,918	1,268,453	1,100,609	955,665	535,817	488,118	616,276	525,938	486,836	481,098
Materials and supplies	551,661	456,643	584,612	273,247	564,042	471,884	557,319	508,234	454,554	393,202
Medical services and supplies	5,439,134	5,326,272	2,482,628	1,806,588	2,056,299	1,921,576	1,923,598	1,474,246	1,429,458	1,295,428
Food service and supplies	1,509,434	1,400,026	1,549,234	1,957,951	1,876,909	1,770,483	1,675,318	1,460,300	1,335,469	1,141,212
Repairs and maintenance	979,798	688,519	713,627	678,346	745,300	768,513	588,955	570,130	645,811	591,606
Utilities	2,060,824	2,094,137	2,267,726	2,245,263	1,984,911	1,731,210	1,630,270	1,589,137	1,388,745	1,434,707
Depreciation	3,675,804	3,508,674	3,311,249	3,330,194	2,139,853	1,737,811	1,677,926	1,697,476	1,698,046	1,679,597
Other	589,150	496,778	384,897	414,759	647,093	616,867	718,258	449,097	510,743	488,115
Nonoperating expenses										
Interest expense	3,810,666	5,314,288	5,479,246	5,639,475	4,476,650	3,587,244	3,764,301	3,800,698	3,892,898	3,979,952
Commonwealth of Va. Budget Reduction	-	-	-	-	593,584	601,459	-	-	-	-
Transfer to member jurisdictions	-	-	-	3,262,075	429,066	1,341,900	2,732,741	2,361,439	1,182,669	2,274,319
Total expenses	38,321,906	38,738,563	36,247,016	39,950,714	35,058,141	32,156,332	32,267,856	29,962,519	27,116,861	27,203,068
Change in net position	3,906,654	563,411	2,407,490	(2,072,439)	(1,720,248)	7,472,077	4,322,786	1,280,644	2,684,289	288,604
Beginning net position	101,881,092	* 101,881,092	100,655,510	102,727,949	64,041,925	56,569,848	52,247,062	50,966,418	48,282,129	47,993,525
Contributed capital- Commonwealth of Virginia	-	-	-	-	40,406,272	-	-	-	-	-
Ending net position	\$ 105,787,746	\$ 103,626,411	\$ 103,063,000	\$ 100,655,510	\$ 102,727,949	\$ 64,041,925	\$ 56,569,848	\$ 52,247,062	\$ 50,966,418	\$ 48,282,129

* Restated for implementation of GASB No. 65

TABLE 3

**RIVERSIDE REGIONAL JAIL AUTHORITY
REVENUES BY CUSTOMER**

Last Ten Fiscal Years									
Fiscal Year	Charles City County	Chesterfield County	City of Hopewell	City of Colonial Heights	City of Petersburg	Prince George County	Surry County	Sub-total	
2014	\$ 335,200	\$ 11,618,200	\$ 2,607,600	\$ 2,622,640	\$ 1,139,440	\$ 2,139,960	\$ 223,840	\$ 20,686,880	
2013	\$ 346,640	\$ 10,231,560	\$ 2,397,560	\$ 2,605,640	\$ 1,409,400	\$ 1,907,480	\$ 250,880	\$ 19,149,160	
2012	\$ 310,240	\$ 9,630,850	\$ 2,551,320	\$ 2,224,280	\$ 2,102,440	\$ 1,940,080	\$ 206,240	\$ 18,965,450	
2011	\$ 173,082	\$ 9,787,651	\$ 2,343,993	\$ 2,647,885	\$ 2,204,910	\$ 1,926,157	\$ 216,898	\$ 19,300,576	(1)
2010	\$ 401,635	\$ 8,272,978	\$ 2,065,229	\$ 2,493,356	\$ 1,689,605	\$ 1,349,760	\$ 128,908	\$ 16,401,471	
2009	\$ 394,901	\$ 7,171,858	\$ 2,109,962	\$ 2,293,815	\$ 1,860,249	\$ 1,076,478	\$ 166,315	\$ 15,073,578	
2008	\$ 301,957	\$ 7,299,397	\$ 2,321,898	\$ 2,103,561	\$ 1,926,257	\$ 1,128,093	\$ 145,151	\$ 15,226,314	
2007	\$ 291,782	\$ 7,620,187	\$ 2,175,045	\$ 1,672,067	\$ 1,879,600	\$ 1,109,593	\$ 168,202	\$ 14,916,476	
2006	\$ 411,625	\$ 7,105,813	\$ 2,009,211	\$ 1,591,407	\$ 1,591,221	\$ 1,099,401	\$ 192,548	\$ 14,001,226	
2005	\$ 306,000	\$ 6,592,031	\$ 1,798,903	\$ 1,872,940	\$ 1,223,960	\$ 1,009,377	\$ 125,097	\$ 12,928,308	
		Regional and Local Jails	Commonwealth of Virginia	Federal Inmates Housing and Transportation	Sub-total	Total			
2014		\$ 4,083	\$ 3,295,919	\$ 1,734,167	\$ 5,034,169	\$ 25,721,049			
2013		\$ 58,221	\$ 2,792,710	\$ 1,256,597	\$ 4,107,528	\$ 23,256,688			
2012		\$ 398,060	\$ 2,883,644	\$ 908,816	\$ 4,190,520	\$ 23,155,970			
2011		\$ 506,810	\$ 2,723,567	\$ 161,047	\$ 3,391,424	\$ 22,692,000			
2010		\$ 120,674	\$ 3,068,106	\$ 50,357	\$ 3,239,136	\$ 19,640,607			
2009		\$ 213,757	\$ 3,335,564	\$ 1,167,868	\$ 4,717,189	\$ 19,790,767			
2008		\$ 246,684	\$ 3,035,620	\$ 2,273,065	\$ 5,555,369	\$ 20,781,683			
2007		\$ 253,071	\$ 3,431,382	\$ 898,586	\$ 4,583,039	\$ 19,499,515			
2006		\$ 743,901	\$ 3,504,198	\$ 439,131	\$ 4,687,230	\$ 18,688,456			
2005		\$ 500,477	\$ 3,076,962	\$ 913,677	\$ 4,491,116	\$ 17,419,424			

(1) In fiscal year 2011, the Jail Authority disbursed member jurisdictions transfers totaling \$3,262,075. In lieu of a mid-year per diem rate increase, each member jurisdiction subsequently repaid to the Jail Authority the entire amount of the transfer before June 30, 2011. Included in charges for services is revenue of \$3,262,075.

TABLE 4

RIVERSIDE REGIONAL JAIL AUTHORITY
REVENUES AND BILLED DAYS - BY CUSTOMER

Years Ended June 30, 2014 and 2013

Fiscal Year 2014

Customer	2014 Revenue	Per Diem Rate	Inmate Days Billed
Charles City County	\$ 335,200	\$ 40	8,380
Chesterfield County	11,618,200	\$ 40	290,455
City of Hopewell	2,607,600	\$ 40	65,190
City of Colonial Heights	2,622,640	\$ 40	65,566
City of Petersburg	1,139,440	\$ 40	28,486
Prince George County	2,139,960	\$ 40	53,499
Surry County	223,840	\$ 40	5,596
Regional and Local Jails	4,083	Various	95
Commonwealth of Virginia (b)	3,295,919	Various	N/A
Federal Inmates - Housing	1,734,167	Various	25,768
Federal Inmates - Transportation	-	N/A	N/A
Total	\$ 25,721,049		543,035

Fiscal Year 2013

Customer	2013 Revenue	Per Diem Rate	Inmate Days Billed
Charles City County	\$ 346,640	\$ 40	8,666
Chesterfield County	10,231,560	\$ 40	255,789
City of Hopewell	2,397,560	\$ 40	59,939
City of Colonial Heights	2,605,640	\$ 40	65,141
City of Petersburg	1,409,400	\$ 40	35,235
Prince George County	1,907,480	\$ 40	47,687
Surry County	250,880	\$ 40	6,272
Regional and Local Jails	58,221	Various	1,575
Commonwealth of Virginia (b)	2,792,710	Various	N/A
Federal Inmates - Housing	1,253,552	Various	19,118
Federal Inmates - Transportation	3,045	N/A	N/A
Total	\$ 23,256,688		499,422

(a) See revenues by customer for last ten fiscal years on previous page.

(b) Commonwealth of Virginia-Local Inmates Data System (LIDS), Inmate Days Billed is not included.

N/A - Not Applicable

TABLE 5

RIVERSIDE REGIONAL JAIL AUTHORITY
REVENUE BOND COVERAGE

Last Ten Fiscal Years

Fiscal Year	Operating and Nonoperating Revenues ⁽¹⁾	Operating Expense ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ^(3,4)			Bond Coverage
				Principal	Interest	Total	
2014	\$ 40,393,713	\$ 29,229,276	\$ 11,164,437	\$ 3,200,000	\$ 3,855,725	\$ 7,055,725	158.23%
2013	\$ 37,438,039	\$ 28,896,317	\$ 8,541,722	\$ 2,980,000	\$ 4,092,071	\$ 7,072,071	120.78%
2012	\$ 37,041,831	\$ 26,301,140	\$ 10,740,691	\$ 2,845,000	\$ 4,230,101	\$ 7,075,101	151.81%
2011	\$ 36,336,948	\$ 26,801,097	\$ 9,535,851	\$ 2,710,000	\$ 4,377,935	\$ 7,087,935	134.54%
2010	\$ 32,203,031	\$ 27,592,451	\$ 4,610,580	\$ 2,305,000	\$ 2,410,563	\$ 4,715,563	97.77%
2009	\$ 30,852,101	\$ 25,118,271	\$ 5,733,830	\$ 2,235,000	\$ 1,988,735	\$ 4,223,735	135.75%
2008	\$ 35,288,647	\$ 23,697,261	\$ 11,591,386	\$ 2,125,000	\$ 2,502,227	\$ 4,627,227	250.50%
2007	\$ 30,023,667	\$ 21,642,749	\$ 8,380,918	\$ 1,815,000	\$ 2,558,689	\$ 4,373,689	191.62%
2006	\$ 28,686,326	\$ 19,804,697	\$ 8,881,629	\$ 1,730,000	\$ 2,682,590	\$ 4,412,590	201.28%
2005	\$ 26,402,623	\$ 18,724,550	\$ 7,678,073	\$ 1,675,000	\$ 2,900,545	\$ 4,575,545	167.81%

(1) Nonoperating revenues exclude interest income on bond accounts.

(2) Operating expenses exclude depreciation, interest expense, bond issuance amortization, and transfers to member jurisdictions.

(3) Total debt service requirements have been reduced by interest income on bond accounts.

TABLE 6

**RIVERSIDE REGIONAL JAIL AUTHORITY
INMATE POPULATION STATISTICS**

Last Ten Fiscal Years

Average Daily Population											
Fiscal Year	Charles City County	Chesterfield County	City of Hopewell	City of Colonial Heights	City of Petersburg	Prince George County	Surry County	Regional and Local Jails	Federal Inmates Housing and Transportation	Jail Contract Beds (1)	Total
2014	22.93	796.25	178.56	179.62	78.08	146.64	15.33	0.39	70.70	38.31	1,526.81
2013	23.76	701.19	164.27	178.57	96.45	130.61	17.17	4.31	52.37	52.61	1,421.31
2012	21.22	657.93	174.30	151.94	143.59	132.56	14.11	29.69	35.90	38.23	1,399.47
2011	10.76	602.33	145.12	162.92	135.77	117.41	13.15	37.73	6.71	30.57	1,262.47
2010	29.70	613.00	152.80	184.60	125.10	100.00	9.50	9.20	2.00	26.97	1,252.87
2009	29.29	531.14	156.30	169.82	137.65	79.73	12.34	14.13	47.83	28.07	1,206.30
2008	22.27	539.17	171.40	155.38	142.24	83.23	10.72	15.95	93.50	20.90	1,254.76
2007	21.35	564.45	161.03	123.79	139.26	82.18	12.44	16.44	36.89	8.75	1,166.58
2006	30.64	526.17	148.77	117.84	117.24	81.38	14.28	47.60	17.99	26.07	1,127.98
2005	22.70	488.38	133.22	138.63	91.25	74.75	9.27	31.84	37.42	25.98	1,053.44

(1) Jail Contract Beds are included and has been retroactively restated for the last ten fiscal years

Table 7

RIVERSIDE REGIONAL JAIL AUTHORITY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years			
Fiscal Year	Jail Operations Sworn	Civilian	Total
2014	290	57	347
2013	277	59	336
2012	283	78	361
2011	269	100	369
2010	299	99	398
2009	232	116	348
2008	219	127	346
2007	208	122	330
2006	204	112	316
2005	204	103	307

TABLE 8

RIVERSIDE REGIONAL JAIL AUTHORITY

CAPITAL ASSETS

Last Ten Fiscal Years	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Fund										
Nondepreciable capital assets										
Land	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584	\$ 322,584
Construction in progress	-	-	-	-	-	75,450,252	23,454,973	12,527,255	1,489,756	491,505
Depreciable capital assets										
Buildings	181,482,748	181,383,359	178,620,415	178,620,416	178,620,416	92,501,315	92,494,284	81,351,416	81,351,416	81,187,736
Furniture and equipment	6,208,719	5,516,234	4,744,669	4,694,812	4,637,719	3,141,597	3,044,437	2,846,016	2,801,062	2,641,133
Computers	804,714	736,838	715,909	715,909	715,909	670,415	670,415	664,368	664,728	656,052
Vehicles	564,354	519,787	481,713	483,222	483,222	483,222	442,415	442,415	459,588	388,373
Land improvements	34,373	34,373	1,501							
Total capital assets	189,417,492	188,513,175	184,886,791	184,836,943	184,779,850	172,569,385	120,429,108	98,154,054	87,089,134	85,687,383
Less accumulated depreciation										
Buildings	30,689,778	27,509,871	24,360,942	21,370,295	18,379,647	16,465,489	14,910,168	13,432,338	12,062,841	10,705,620
Furniture and equipment	3,757,461	3,363,632	3,051,758	2,788,284	2,501,771	2,322,995	2,185,977	2,033,935	1,779,703	1,507,463
Computers	722,589	705,953	703,056	687,018	670,980	662,651	656,096	648,336	638,986	598,092
Vehicles	445,250	408,568	425,421	443,259	409,080	370,910	334,676	298,739	320,698	305,559
Land improvements	4,584	2,292								
Accumulated depreciation	35,619,662	31,990,316	28,541,177	25,288,856	21,961,478	19,822,045	18,086,917	16,413,348	14,802,228	13,116,734
Net capital assets	\$ 153,797,830	\$ 156,522,859	\$ 156,345,614	\$ 159,548,087	\$ 162,818,372	\$ 152,747,340	\$ 102,342,191	\$ 81,740,706	\$ 72,286,906	\$ 72,570,649
Canteen Fund										
Depreciable capital assets										
Furniture and equipment	-	-	-	-	-	-	-	-	2,663	2,663
Computers	1,668	22,278	22,278	22,278	22,278	22,278	22,278	22,278	22,278	22,278
Total capital assets	1,668	22,278	22,278	22,278	22,278	22,278	22,278	22,278	24,941	24,941
Less accumulated depreciation										
Furniture and equipment	-	-	-	-	-	-	-	-	1,997	1,730
Computers	1,668	22,278	22,278	22,278	22,278	22,278	22,278	22,278	21,834	19,203
Accumulated depreciation	1,668	22,278	22,278	22,278	22,278	22,278	22,278	22,278	23,831	20,933
Net capital assets	-	-	-	-	-	-	-	-	1,110	4,008
Total net capital assets	\$ 153,797,830	\$ 156,522,859	\$ 156,345,614	\$ 159,548,087	\$ 162,818,372	\$ 152,747,340	\$ 102,342,191	\$ 81,740,706	\$ 72,288,016	\$ 72,574,657

Table 9

**RIVERSIDE REGIONAL JAIL AUTHORITY
SCHEDULE OF INSURANCE IN FORCE**

Insurance Coverage	Insurance Company	Expiration Date	Coverage Amount	Deductible
Building and Personal Property	Virginia Municipal Liability Pool	7/01/2014	\$ 228,086,898	\$ 5,000
Earthquake	Virginia Municipal Liability Pool	7/01/2014	\$ 10,000,000	\$ 25,000
Flood	Virginia Municipal Liability Pool	7/01/2014	\$ 10,000,000	\$ 25,000
Business Auto	Virginia Municipal Liability Pool	7/01/2014	\$ 1,000,000	1000/1000
Schedule Equipment (Tractor)	Virginia Municipal Liability Pool	7/01/2014	\$ 204,050	\$ 5,000
Boiler and Machinery	Virginia Municipal Liability Pool	7/01/2014	\$ 20,000,000	\$ 1,000
Business Interruption and Extra Expense	Virginia Municipal Liability Pool	7/01/2014	\$ 17,000,000	\$ 5,000
Local Government & Excess Liability Coverage	Virginia Municipal Liability Pool	7/01/2014	\$ 2,000,000	N/A
Workers' Compensation	Virginia Municipal Liability Pool	7/01/2014	Required statutory limit	
Line of Duty	Virginia Municipal Liability Pool	7/01/2014	Required statutory limit	
Faithful Performance of Duty Bond *	Commonwealth of Virginia - Division of Risk Management	Continuous	500,000	N/A
Constitutional Officer General Liability *	Commonwealth of Virginia - Division of Risk Management	Continuous	1,000,000	N/A

N/A - Not Applicable

* Provided by the Commonwealth of Virginia

TABLE 10

RIVERSIDE REGIONAL JAIL AUTHORITY
SCHEDULE OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Series 2013 Jail Facility Revenue Bonds	\$44,025,000	\$44,025,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2007 Jail Facility Revenue Bonds	46,215,000	46,555,000	46,895,000	47,220,000	89,130,000	89,130,000	89,130,000	-	-	-
Series 2003 Jail Facility Revenue Bonds	-	-	53,230,000	55,615,000	57,920,000	60,155,000	60,665,000	60,945,000	61,220,000	61,490,000
Series 1995 Jail Facility Revenue Bonds	-	-	-	-	-	-	1,615,000	3,150,000	4,605,000	6,010,000
Total debt by type	<u>\$ 90,240,000</u>	<u>\$ 90,580,000</u>	<u>\$ 100,125,000</u>	<u>\$ 102,835,000</u>	<u>\$ 147,050,000</u>	<u>\$ 149,285,000</u>	<u>\$ 151,410,000</u>	<u>\$ 64,095,000</u>	<u>\$ 65,825,000</u>	<u>\$ 67,500,000</u>

Source: Comprehensive Annual Financial Reports

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Riverside Regional Jail Authority
Hopewell, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the business-type activities and each major fund of the Riverside Regional Jail Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
September 25, 2014

RIVERSIDE REGIONAL JAIL AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2014

As more fully described in the Independent Auditor's 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*, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

Cash and Investment Laws

Conflicts of Interest Act

Debt Provisions

Inmate Canteen Funds

Local Retirement Systems

Procurement Laws

Uniform Disposition of Unclaimed Property Act