

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

ALBERTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2013

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

ALBERTA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2013

CRYSTAL WILLETT
SUPERINTENDENT

BRENT WRIGHT
DEPUTY SUPERINTENDENT

JENNIFER DERRENBACKER, CPA
FINANCE DIRECTOR

INTRODUCTORY SECTION

MEHERRIN RIVER REGIONAL JAIL AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Serving the following
Localities:
Brunswick County
Dinwiddie County
Mecklenburg County

Crystal L. Willett
Superintendent

9000 Boynton Plank Road
Alberta, VA 23821
(434) 949-6700
(434) 949-0180 Fax

September 30, 2013

The Honorable Members of the
Meherrin River Regional Jail Authority Board
Alberta, VA 23821

Dear Authority Board Members:

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

FINANCIAL REPORTING ENTITY

The Jail Authority is required to undergo an annual audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. In the performance of this audit, consideration is given to the adequacy of the Jail Authority's internal accounting control structure. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control structure should not exceed the benefits likely to be derived, and therefore, management must continuously evaluate the benefits of various controls given the related costs of implementation. We believe that the Jail Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Jail Authority, a political subdivision of the Commonwealth of Virginia, was authorized by Chapter 726 of the 1990 Acts of the General Assembly of Virginia. The participating jurisdictions of the Authority are the Counties of Brunswick, Dinwiddie and Mecklenburg. The Authority is governed by a nine-member board comprised of three members from each locality.

The general purpose of the Jail Authority is to maintain and operate a regional jail facility to meet the needs of the participating jurisdictions. The main facility has 697-beds, consisting of 596 general-purpose beds, a 32-bed work release center, a 6-bed medical housing unit, a 12-bed center for inmate intake, a 12-bed center for transport inmates, a 5-bed center for inmate classification, and 34 special management cells. The satellite facility has 107-beds, consisting of 68 general-purpose beds, a 24-bed work release center, a 4-bed medical housing unit, a 7-bed center for inmate intake, and 4 special management cells.

The legislation that created the Jail Authority requires there be a service agreement between the Jail Authority and its participating jurisdictions. The service agreement is a long-term contract regulating usage of the Jail Authority and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides a basis for the issuance of revenue bonds to fund the final design and construction of the Jail. The board members of the Jail Authority signed the Service Agreement on April 3, 2008. The service agreement was amended on July 1, 2010.

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

ECONOMIC CONDITIONS

Serving the member jurisdictions as Meherrin River Regional Jail Authority does, the overall inmate population is indirectly related to the populations of these localities: Brunswick County, Dinwiddie County and Mecklenburg Counties are all areas that are continually experiencing growth and increased development. This, in turn, serves as an indicator for the number of persons likely to be incarcerated from those jurisdictions.

Brunswick County's population growth rate is expected to decrease by -1.39% due to a prison closing during the study period, with a total population of 17,191 estimated for 2020. Dinwiddie County's population growth rate is expected to be approximately 5.50%, with a total population of 29,542 estimated for 2020. Mecklenburg County's population growth rate is expected to be approximately 0.46%, with a total population of 32,877 estimated for 2020.

The inmate population for the past year was 429. Projections for the upcoming fiscal year are 430 and by the 2015 fiscal year, we anticipate an inmate population of approximately 450.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

Over the past year, many accomplishments were realized within Meherrin River Regional Jail Authority. The Jail received 100% compliance for the first year of operations by the Board of Corrections.

The Meherrin River Regional Jail Authority main facility, satellite facility and gun range were opened on time and under budget. There were savings of \$1 million in construction costs and we recognized significant savings from our operations budget for the first year. The Meherrin River Regional Jail Authority also achieved a credit rating increase in the first year of operations from A2 to A1.

The staff of the Meherrin River Regional Jail Authority works hard to give back to the communities. Over the course of the past year the charitable and community based outreach activities have helped make the facility shine amongst the citizens of our user jurisdictions. Our participation with the Mecklenburg Sheriff's Office Cops & Kids program was a huge success. Several staff participated in

this event and helped touch the lives of many children in the Mecklenburg County area. During the holiday season, our staff worked with Social Services in each locality to donate items to families in need of assistance. The Superintendent volunteered as a judge for the Taste of Brunswick Festival. We have found these programs to be a great success while allowing us to give back to the citizens of our user jurisdictions and shed a positive light on our organization.

FINANCIAL INFORMATION AND CONTROLS

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

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

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

The Jail Authority usually initiates its annual operating budget preparations in September of each fiscal year (July 1 through June 30). The Finance Director, with input from other departments, prepares a draft budget for the Finance Committee to review. After the Finance Committee's review and approval, a final budget is submitted to the Jail Authority on or before January 1st of each year. According to the service agreement, the budget must be adopted by the Board no later than June 30th of each year.

RISK MANAGEMENT

The Jail Authority's risk management program involves maintaining comprehensive insurance policies, and identifying and monitoring loss exposure. The Jail Authority's comprehensive property, boiler and machinery, automobile, business interruption, inland marine and worker's compensation insurance is provided through the Virginia Association of Counties Insurance Programs (VACO). The purpose of the association is to create and administer group self-insurance pools for political subdivisions of the Commonwealth of Virginia pursuant to the authority provided in Chapter 11.1 of Title 15.1 of the Code of Virginia. The association is managed by a seven 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 levying of an additional assessment upon association members.

The Commonwealth of Virginia, Department of General Services, and Division of Risk Management provides the Jail Authority's general liability, and faithful performance of duty bond coverage.

INDEPENDENT AUDIT

The certified public accounting firm of Robinson, Farmer, Cox Associates has audited the June 30, 2013 financial statements. Their opinion on the financial statements is presented in the financial section of this report.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,



Crystal Willett
Superintendent



Jennifer Derrenbacher, CPA
Finance Director

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Year Ended June 30, 2013

Officers

Chairman	Sheriff Brian K. Roberts Brunswick County Sheriff
Vice-Chairman	W. Kevin Massengill Dinwiddie County Administrator
Secretary	Evans D. Tanner Mecklenburg County Board of Supervisors

Other Members

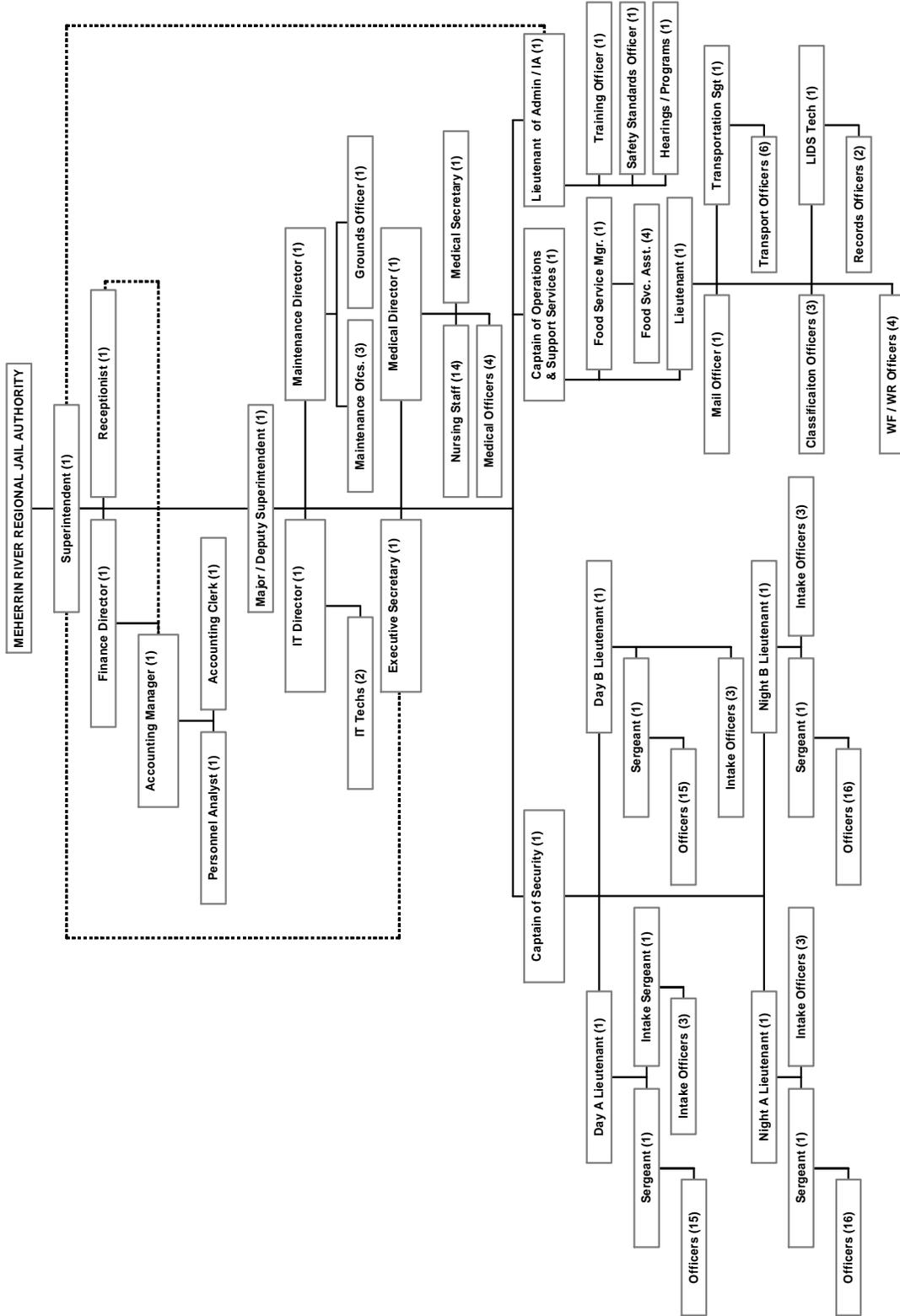
Charlette T. Woolridge, Brunswick County Administrator
Bernard L. Jones, Brunswick County Board of Supervisors
Sheriff “Duck” Adams, Dinwiddie County Sheriff
William D. Chavis, Dinwiddie County Board of Supervisors
Sheriff R. W. “Bobby” Hawkins, Mecklenburg County Sheriff
H. Wayne Carter, III, Mecklenburg County Administrator

Counsel

William H. Hefty, Esq.

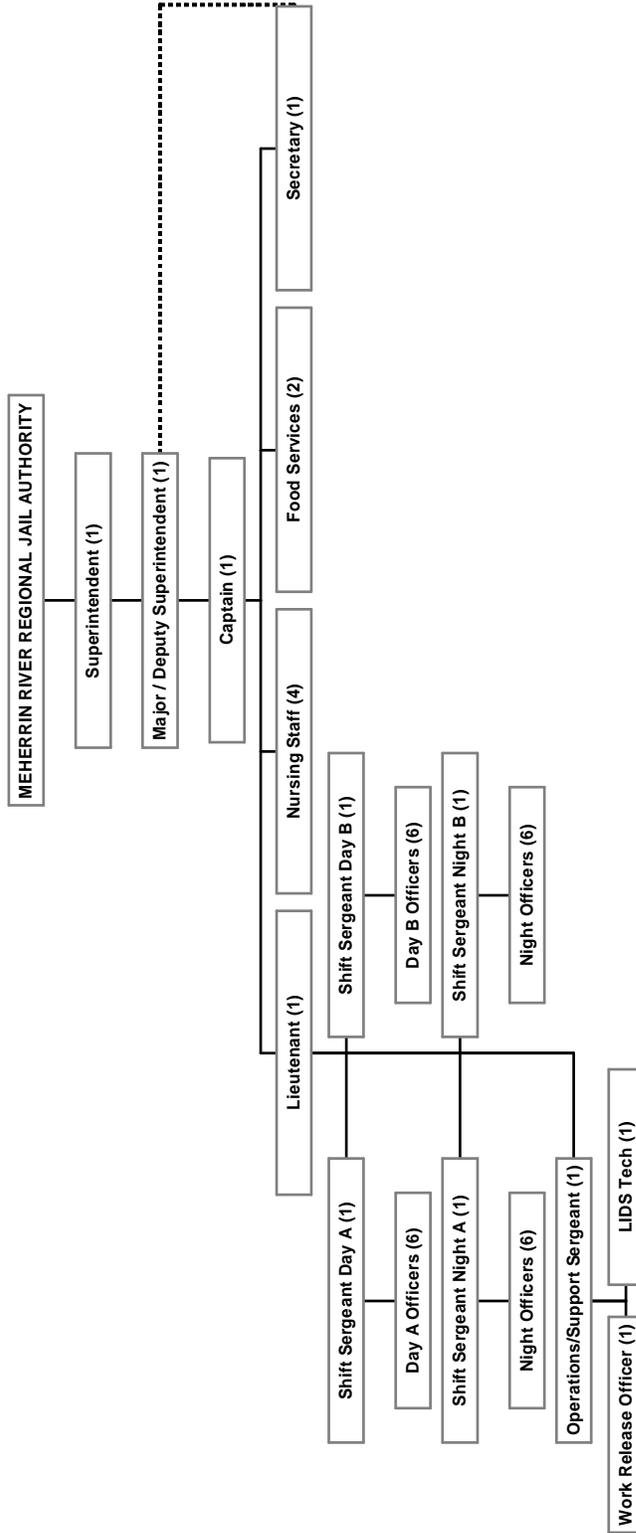
Meherrin River Regional Jail Alberta

Organizational Structure



Meherrin River Regional Jail Mecklenburg

Organizational Structure



FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

**To the Members of
Meherrin River Regional Jail Authority
Alberta, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Meherrin River Regional Jail Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Meherrin River Regional Jail Authority, as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, Meherrin River Regional Jail Authority adopted new accounting guidance, GASB Statement Nos. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and 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 on pages 3-7 and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Meherrin River Regional Jail 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 30, 2013, on our consideration of Meherrin River Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meherrin River Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Co. Associates

Charlottesville, Virginia
September 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial statements of the Meherrin River Regional Jail Authority include all business activities and include notes to the financial statements that explain and provide detailed data on information in the financial statements.

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

FINANCIAL HIGHLIGHTS

- The Jail's net position increased \$1,555,135 in FY 2013.
- Total revenues, including capital contributions, of the Jail for FY 2013 were \$14,856,569.
- Total expenses of the Jail for FY 2013 were \$13,301,434.

The Jail's first year of operation was July 1, 2012 through June 30, 2013; therefore a comparative analysis cannot be presented at this time. However, in future years when prior year information is available, a comparative analysis of government-wide data will be presented.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Jail's basic financial statements. The Jail's basic financial statements consist of the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. The first two statements report the Jail's net position and how it has changed. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Jail's financial condition.

The following table summarizes the net position of the Jail at June 30, 2013.

NET POSITION		<u>2013</u>
Current assets		
Cash and cash equivalents	\$	4,710,561
Receivables		892,695
Cash held for inmates - restricted		<u>108,045</u>
Total Current Assets	\$	<u>5,711,301</u>
Noncurrent assets		
Investments	\$	2,532,031
Capital assets, net		<u>66,288,427</u>
Total Noncurrent Assets	\$	<u>68,820,458</u>
Total Assets	\$	<u>74,531,760</u>
Current Liabilities		
Accounts Payable	\$	135,184
Due to Localities		965,931
Current portion of compensated absences		46,963
Current portion of long-term debt		29,427,279
Cash held for inmates		108,045
Interest payable		<u>578,776</u>
Total Current Liabilities	\$	<u>31,262,178</u>
Noncurrent Liabilities		
Bonds payable	\$	42,313,409
Compensated absences		<u>422,666</u>
Total Noncurrent Liabilities	\$	<u>42,736,075</u>
Total Liabilities	\$	<u>73,998,253</u>
Net Position		
Net investment in capital assets	\$	241,136
Unrestricted		<u>292,371</u>
Total Net Position	\$	<u>533,507</u>

REVENUES

Operating revenues and capital contributions for the Jail Authority totaled \$14,856,569 for the year ended June 30, 2013. Of this total, per-diem billings to member jurisdictions totaled \$5,274,218 or 36 percent of total revenues. The revenues received from the state totaled \$ 6,639,914 or 45 percent of total revenues. Inmate and other revenues totaled \$680,819 or 5 percent of total revenues.

Summary data is presented in the following computation:

<u>REVENUE SOURCE</u>	<u>2013</u>
Operating Revenue:	
Member Jurisdictions	
Brunswick County	\$ 1,774,801
Dinwiddie County	1,071,699
Mecklenburg County	2,427,718
Subtotal	<u>\$ 5,274,218</u>
State Share of Jail Operations	
Compensation Board	\$ 6,639,914
Subtotal	<u>\$ 6,639,914</u>
Charges for Services	
Work Release	\$ 27,975
Weekender Fees	13,227
Home Incarceration	15,827
Medical Co-Pays	9,031
Daily Fees	182,959
Phone Commission	310,874
Miscellaneous Revenue	120,926
Subtotal	<u>\$ 680,819</u>
Total Operating Revenue	\$ 12,594,951
Capital Contributions:	
Member Contributions	\$ 1,905,081
Brunswick County IDA	356,537
Subtotal	<u>\$ 2,261,618</u>
Total Revenue	<u><u>\$ 14,856,569</u></u>

EXPENSES

Operating expenses totaled \$13,301,434 for the year ended June 30, 2013. Of this amount, salaries and employee benefits totaled \$7,694,359, medical services and supplies totaled \$1,799,969, and food service and supplies totaled \$612,681.

Summary data is presented in the following computation:

<u>EXPENSE CLASSIFICATION</u>	<u>2013</u>
Operating Expenses:	
Salaries and Wages	\$ 5,400,890
Fringe Benefits	2,293,469
Contractual Services	61,531
Medical Services and Supplies	1,799,969
Materials and Supplies	886,208
Food Services and Supplies	612,681
Utilities	680,614
Depreciation	<u>1,566,072</u>
Total Operating Expenses	\$ <u><u>13,301,434</u></u>

SUMMARY OF OPERATIONS & CHANGE IN NET POSITION

Net Position increased by \$ 1,555,135 for the year ended June 30, 2013. This amount includes \$ 2,261,618 in capital contributions.

Summary data is presented in the following computation:

<u>SUMMARY OF OPERATIONS & CHANGE IN NET POSITION</u>	<u>2013</u>
Operations:	
Revenues	\$ 12,594,951
Expenses	<u>13,301,434</u>
Net operating income (loss) before capital contributions	(706,483)
Capital contributions	<u>2,261,618</u>
Increase (decrease) in net position	<u>1,555,135</u>
Net position, beginning of year	(1,021,628)
Net position, end of year	\$ <u><u>533,507</u></u>

FINANCIAL ANALYSIS OF JAIL FUNDS

The financial statements are prepared on the accrual basis, recognizing revenue when earned and expenses when incurred, and include all of the business activities of the Jail Authority.

Jail operations ended FY13 with a \$1,555,135 increase in total net position.

The Jail's cash position remains strong with \$4,710,561 in unrestricted funds.

DEBT ADMINISTRATION

The Jail Authority had total long-term debt outstanding of \$71,740,688 on June 30, 2013. This amount is comprised of a Series 2010 grant anticipation note, a Series 2011 note for the satellite facility, and a Series 2010 VRA bond. These bonds were issued to fund the acquisition, construction and equipping of the Jail. For more detailed information on long-term debt activity refer to Note 5 of the notes to these financial statements.

CAPITAL ASSETS

Capital assets with a unit cost of \$5,000 or more are capitalized and depreciated over their useful lives using the straight-line method. As of June 30, 2013, capital assets, accumulated depreciation and depreciation expense totaled \$68,100,110, \$1,811,682 and \$1,566,072, respectively. For more detailed information on capital assets activity refer to Note 4 of the notes to these financial statements.

JAIL AUTHORITY'S PER DIEM RATES

The debt service component and the operating component of the per diem charge is invoiced quarterly by the Jail Authority in advance of service and is payable no later than the last day of the first month of each calendar quarter. The Member Jurisdictions agree to pay their ratable share of the per diem charge as budgeted by the Authority in accordance with the percentages established annually, notwithstanding the actual number of inmates committed or expected to be committed to the system, subject to a fiscal year-end adjustment to reflect annual use of the system. The operational per diem rate was \$34.61 for FY 2013. The Authority did not incur debt service for FY 2013 because interest was capitalized during construction. Thus, there was no debt service per diem rate established for FY 2013. The budget will include a rate for debt service beginning in FY 2014.

REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Jail Authority's finances. Should you have any questions about this report or need additional information, please contact the Finance Director, 9000 Boydton Plank Road, Alberta, VA 23821.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Statement of Net Position
June 30, 2013

ASSETS	<u>2013</u>
Current assets:	
Cash and cash equivalents	\$ 4,710,561
Accounts Receivable	24,065
Due from Localities	570,130
Due from State	298,500
Cash held for inmates - restricted	<u>108,045</u>
Total current assets	\$ <u>5,711,301</u>
Noncurrent assets:	
Investments	\$ 2,532,031
Capital assets:	
Land	\$ 1,061,626
Other capital assets, net of accumulated depreciation	<u>65,226,801</u>
Net capital assets	\$ <u>66,288,427</u>
Total noncurrent assets	\$ <u>68,820,458</u>
Total assets	\$ <u>74,531,760</u>

LIABILITIES AND NET POSITION

Liabilities:	
Current liabilities:	
Accounts payable	\$ 135,184
Due to Localities	463,056
Due to Members	502,875
Compensated absences, current portion	46,963
Current portion of long-term debt	29,427,279
Interest payable	578,776
Cash held for inmates	<u>108,045</u>
Total current liabilities	\$ <u>31,262,178</u>
Noncurrent liabilities:	
Bonds payable, net of current portion	\$ 42,313,409
Compensated absences, net of current portion	<u>422,666</u>
Total noncurrent liabilities	\$ <u>42,736,075</u>
Total liabilities	\$ <u>73,998,253</u>
Net position:	
Net investment in capital assets	\$ 241,136
Unrestricted	<u>292,371</u>
Total net position	\$ <u><u>533,507</u></u>

The accompanying notes to financial statements are an integral part of this statement.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Statement of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2013

	<u>2013</u>
Operating revenues:	
Charges for Services	\$ 559,893
Local Share of Jail Operations	5,274,218
State Share of Jail Operations	6,639,914
Miscellaneous Revenues	<u>120,926</u>
Total operating revenues	<u>\$ 12,594,951</u>
Operating expenses:	
Personnel	\$ 5,400,890
Fringes	2,293,469
Contractual	1,861,500
Other charges	2,179,504
Depreciation	<u>1,566,072</u>
Total operating expenses	<u>\$ 13,301,434</u>
Net operating income (loss)	<u>\$ (706,483)</u>
Income (loss) before contributions	\$ (706,483)
Capital Contributions:	
Member Contributions-Boydton	1,905,081
Brunswick IDA	356,537
Total capital contributions	<u>\$ 2,261,618</u>
Change in net position	\$ 1,555,135
Net position, beginning of year - as restated	<u>(1,021,628)</u>
Net position, end of year	<u><u>\$ 533,507</u></u>

The accompanying notes to financial statements are an integral part of this statement.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2013

	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Charges for Services	\$ 656,754
Revenue from Localities	5,670,019
Revenue from State	6,341,414
Payments to Suppliers	(3,909,969)
Payments to Employees	<u>(7,293,732)</u>
Net cash provided by operating activities	<u>\$ 1,464,485</u>
CASH FLOW FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Capital Contributions	\$ 2,261,618
Interest paid on capital debt	(2,503,152)
Additions to construction in progress	(10,313,364)
Purchase of capital assets	<u>(1,068,470)</u>
Net cash provided by (used for) capital & related financing activities	<u>\$ (11,623,369)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Interest and investment earnings	<u>\$ (104,248)</u>
Net cash provided by investing activities	<u>\$ (104,248)</u>
Net increase (decrease) in cash and cash equivalents	\$ (10,263,131)
Cash and cash equivalents at beginning of year	<u>14,765,196</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,710,561</u></u>

The accompanying notes to financial statements are an integral part of this statement.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Statement of Cash Flows
Year Ended June 30, 2013

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u> <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	<u>2013</u>
Operating Income (Loss)	\$ (706,483)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	1,566,072
Change in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(24,065)
Due from Localities	(570,130)
Due from State	(298,500)
Increase (decrease) in:	
Accounts payable	131,034
Due to localities	965,931
Compensated absences	400,627
	<hr/>
Net cash provided by operating activities	\$ <u><u>1,464,485</u></u>

The accompanying notes to financial statements are an integral part of this statement.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013

NOTE 1 – BASIS OF PRESENTATION:

The Financial Reporting Entity

The Brunswick-Dinwiddie-Mecklenburg Regional Jail Authority was created pursuant to Article 3.1, Chapter 3, Title 53.1, Code of Virginia (1950), as amended by resolutions duly adopted by the governing bodies of the Counties of Brunswick, Dinwiddie, and Mecklenburg for the purpose of developing a new regional jail to be operated on behalf of the Member Jurisdictions by the Authority. On June 24, 2008, the Authority's name was changed to the Meherrin River Regional Jail Authority. The Board is governed by three members (including the County Administrator and Sheriff) from each of the participating localities and conforms to the statutory provisions of the Code of Virginia (1950), as amended. The Authority is considered to be a Jointly Governed Organization of the above localities because each locality is equally represented on the Board. The Authority is responsible for operational and debt services costs. Operational costs are paid quarterly and a true-up is done at year end based on actual inmate populations for each locality.

The Meherrin River Regional Jail Authority has completed the construction phase of the main facility as of June 30, 2013. Construction began in April 2010 with completion shortly after the end of fiscal year 2012. The Jail opened in July 2012 at which time the participating localities began sending inmates to the facility. In addition, construction of the satellite facility began in early 2012, and was completed as of January 1, 2013. The regional jail bills each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates include components for both operating and debt service expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Meherrin River Regional Jail Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Basis of Accounting:

The Authority uses the enterprise fund method of accounting for financial reporting purposes. Enterprise fund accounting uses the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses are defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Non-operating revenues are defined as grants, investment and other income. Non-operating expenses are defined as capital and noncapital related financing and other expenses.

B. Cash and Cash Equivalents:

The Authority's cash and cash equivalents consist of cash on hand and demand deposits.

For the purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Investments:

Investments are stated at fair value.

D. Capital Assets:

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value at the date of gift. The Authority's capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of construction include legal, bond and loan closing costs, plus interest costs less interest earned on construction funds during the period of construction. Interest in the amount of \$2,503,152 was capitalized during the year.

Depreciation is provided using the straight-line method over the estimated useful lives of each asset class as follows:

Buildings and improvements	50 years
Land/site improvements	20 years
Equipment, furniture and fixtures	5 to 20 years
Vehicles	5 years
Intangibles	5 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

E. Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Bond Premium:

A premium of \$2,295,640 resulted from the issuance of bonds in association with the financing of jail construction. The premium is being amortized using the effective interest method over the life of the bond issue of 30 years. Amortization for FY 2013 totaled \$107,279, which was capitalized into construction in progress. The balance of the unamortized bond premium at June 30, 2013 is \$2,005,688.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position."

H. Items Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net position reported in the financial statements was changed as a result of implementing this Statement and a restatement of prior balances was required. Bond issuance costs and discounts totaling \$665,828 have been adjusted to net position as required by GASB 65.

I. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The net equity reported in the financial statements was changed as a result of implementing this Statement and a restatement of prior balances was required.

J. Net Position Flow Assumption:

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Vacation, Sick, and Holiday Leave:

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

L. Budget:

The Superintendent must submit a balanced budget to the Jail Authority on or before January 1st each year. The budget denotes per diem rates charged to member jurisdictions, and line item revenues and expenses. The Jail Authority must adopt a final budget on or before June 30th each year.

M. Risk Management:

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

General liability and faithful performance of duty bond coverage's are provided by the Commonwealth of Virginia, Department of General Services, and Division of Risk Management.

NOTE 3 – 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 the amounts 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, and the State Treasurer's Local Government Investment Pool (LGIP).

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS: (CONTINUED):

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2013 were rated by Moody's and the ratings are presented below using Moody's rating scale.

<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
U. S. Treasury Bonds and Notes	\$ 2,532,031
State Non-Arbitrage Pool	<u>1,757,359</u>
Total	<u>\$ 4,289,391</u>

Interest Rate Risk:

The Authority does not have a policy related to interest rate risk.

Investment Maturities (in years)

	<u>Fair Value</u>	<u>8 Years</u>
U. S. Treasury Securities	\$ <u>2,532,031</u>	\$ <u>2,532,031</u>

External Investment Pool:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in SNAP is the same as the values of the pool shares.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 4 - CAPITAL ASSETS:

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,061,626	\$ -	\$ -	\$ 1,061,626
Construction in progress (Jail)	50,104,658	2,678,089	52,782,747	-
Construction in progress (Satellite Facility)	4,379,066	7,832,852	12,211,918	-
Total capital assets not being depreciated	<u>\$ 55,545,350</u>	<u>\$ 10,510,941</u>	<u>\$ 64,994,665</u>	<u>\$ 1,061,626</u>
Capital assets being depreciated:				
Land/site improvements - fencing	\$ 20,504	\$ -	\$ -	\$ 20,504
Buildings and improvements	-	65,022,465	-	65,022,465
Equipment, furniture, fixtures	989,736	161,445	-	1,151,181
Vehicles	525,692	8,388	-	534,080
Intangibles	294,123	16,130	-	310,253
Total capital assets being depreciated	<u>\$ 1,830,055</u>	<u>\$ 65,208,429</u>	<u>\$ -</u>	<u>\$ 67,038,484</u>
Less: Accumulated depreciation				
Land/site improvements - fencing	\$ 1,025	\$ 1,025	\$ -	\$ 2,050
Buildings and improvements	-	1,301,283	-	1,301,283
Equipment, furniture, fixtures	80,623	94,897	-	175,520
Vehicles	105,138	106,816	-	211,954
Intangibles	58,825	62,051	-	120,876
Total accumulated depreciation	<u>\$ 245,611</u>	<u>\$ 1,566,071</u>	<u>\$ -</u>	<u>\$ 1,811,682</u>
Net capital assets being depreciated	<u>\$ 1,584,444</u>	<u>\$ 63,642,357</u>	<u>\$ -</u>	<u>\$ 65,226,801</u>
Capital assets, net	<u>\$ 57,129,794</u>	<u>\$ 74,153,298</u>	<u>\$ 64,994,665</u>	<u>\$ 66,288,427</u>

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 4 - CAPITAL ASSETS: (CONTINUED)

Additions to construction in progress are summarized as follows:

<u>Jail Facilities:</u>	<u>Amount</u>
Current Year Additions:	
- Construction	\$ 1,317,083
- Retainage payable	(856,501)
- Other Professional Fees	5,153
- Consulting Fees	11,403
- Interest Expense (1)	2,200,951
Total Construction in Progress	<u>\$ 2,678,089</u>
(1) Calculation of Capitalized Interest:	
- Interest Income	\$ (100,148)
- Interest Expense	2,292,466
- Accrued Interest Prior Year	(551,383)
- Accrued Interest Current Year	560,016
Capitalized Interest	<u>\$ 2,200,951</u>

<u>Satellite Facility:</u>	<u>Amount</u>
Current Year Additions:	
- Construction	\$ 7,850,756
- Retainage payable	(133,600)
- Consulting Fees	14,892
- Interest Expense (1)	100,804
Total Construction in Progress	<u>\$ 7,832,852</u>
(1) Calculation of Capitalized Interest:	
- Interest Income	\$ (4,099)
- Interest Expense	103,372
- Accrued Interest Prior Year	(17,229)
- Accrued Interest Current Year	18,760
Capitalized Interest	<u>\$ 100,804</u>

Reconciliation of Net Investment in Capital Assets:

Net Capital Assets	\$ 66,288,427
Less: Outstanding Notes & Bonds	(71,740,688)
Add: Unspent Proceeds	4,359,412
Add: Proceeds Spent on Operations	<u>1,333,985</u>
Net Investment in Capital Assets	<u>\$ 241,136</u>

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 5 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	<u>Beginning Balance</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable:					
Grant anticipation note, series 2010	\$ 23,310,000	\$ -	\$ -	\$ 23,310,000	\$ 23,310,000
SunTrust note, series 2011	6,010,000	-	-	6,010,000	6,010,000
Total Notes payable	<u>\$ 29,320,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,320,000</u>	<u>\$ 29,320,000</u>
Bonds payable:					
Revenue Bond, series 2010	\$ 40,415,000	\$ -	\$ -	\$ 40,415,000	\$ -
Add:					
Unamortized Bond Premium	2,112,967	-	107,279	2,005,688	107,279
Total Bonds payable	<u>\$ 42,527,967</u>	<u>\$ -</u>	<u>\$ 107,279</u>	<u>\$ 42,420,688</u>	<u>\$ 107,279</u>
Compensated absences	69,002	667,378	266,751	469,629	46,963
Total Long-Term Obligations	<u>\$ 71,916,969</u>	<u>\$ 667,378</u>	<u>\$ 374,030</u>	<u>\$ 72,210,317</u>	<u>\$ 29,474,242</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	<u>Revenue Bonds</u>		Year Ending June 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2014	\$ -	\$ 1,817,030	2014	<u>\$ 29,320,000</u>	<u>\$ 686,122</u>
2015	880,000	1,809,675			
2016	895,000	1,792,138	Total	<u>\$ 29,320,000</u>	<u>\$ 686,122</u>
2017	920,000	1,770,341			
2018	940,000	1,746,856			
2019-2023	5,165,000	8,273,383			
2024-2028	6,195,000	7,242,168			
2029-2033	7,830,000	5,611,670			
2034-2038	10,125,000	3,312,010			
2039-2041	<u>7,465,000</u>	<u>595,790</u>			
Total	<u>\$ 40,415,000</u>	<u>\$ 33,971,061</u>			

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 5 – LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations are as follows:

	<u>Total</u>
Notes Payable:	
\$23,310,000 grant anticipation note for new jail facilities, series 2010, issued August 18, 2010, interest at 2.50%. Interest only payable semi-annually beginning November 1, 2010, principal balance to be paid on May 1, 2014.	\$ 23,310,000
\$6,010,000 note for new satellite facility, series 2011, issued October 18, 2011, interest at 1.72%. Interest only payable semi-annually beginning May 1, 2012, principal balance to be paid on May 1, 2014.	<u>6,010,000</u>
Total notes payable	<u>\$ 29,320,000</u>
Bonds Payable:	
\$40,415,000 VRA bonds for jail construction, Series 2010, issued August 18, 2010, interest at rates ranging from 3.104% to 5.00%, maturing at various semi-annual installments through November 1, 2040.	\$ 40,415,000
Add: Unamortized bond premium	<u>2,005,688</u>
Total bonds payable	<u>\$ 42,420,688</u>
Compensated Absences	<u>\$ 469,629</u>
Total long-term obligations	<u><u>\$ 72,210,317</u></u>

NOTE 6 – CONTRIBUTIONS FROM OTHERS:

The member localities of Brunswick County, Dinwiddie County, and Mecklenburg County contributed \$2,493,477 for the construction of the Mecklenburg satellite facility. During FY 2013, \$85,521 was spent on operating expenses and \$ 1,905,081 was spent on capital assets. The remaining balance of \$502,875 is shown as Due to Members on the Statement of Net Position.

In addition, the Brunswick IDA reimbursed the Authority for various additions to the water and wastewater expansion contract relative to the construction of the jail. The contributions are as follows:

	<u>Amount</u>
Member Contributions Boydton	\$ 1,905,081
Brunswick IDA	<u>356,537</u>
Total	<u><u>\$ 2,261,618</u></u>

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 7 – WATER AND WASTEWATER AGREEMENT:

In December 2010, the Jail Authority entered into an agreement with the County of Brunswick and Brunswick IDA for water and wastewater expansion to service the Meherrin River Regional Jail Authority. The IDA agreed to reimburse the Jail Authority a total of \$831,176 for the cost of the improvements, of which \$255,500, \$219,139 and \$356,537 was paid during fiscal year 2011, 2012 and 2013, respectively. At June 30, 2013, the water and wastewater expansion was complete. The parties have agreed that the Jail Authority shall have a guaranteed right to use a minimum of 100,000 gpd of water for the Meherrin River Regional Jail Authority.

NOTE 8 – DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (VRS)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the 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.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 8 – DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. 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 contributions. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of 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 fiscal year ended 2013 was 12.00% of the annual covered payroll.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 8 – DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost:

For fiscal year 2013, the Authority's annual pension cost of \$583,849 was equal to the Jail Authority's required and actual contributions.

Three-year Trend Information for the Authority (1)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 583,849	100%	-
June 30, 2012	77,560	100%	-

(1) Only 2 years of information is available. The first year of full operation was 2012.

The FY 2013 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 7.0% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, and 3.50% to 4.75% 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 include an inflation component of 2.50%. The actuarial value of the Jail Authority's 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 a level percentage of projected payrolls on an open basis.

D. Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 374.23% funded. The actuarial accrued liability for benefits was \$ 20,736, and the actuarial value of assets was \$ 77,600, resulting in an unfunded actuarial accrued liability (UAAL) of (\$ 56,864). The covered payroll (annual payroll of active employees covered by the plan) was \$ 1,214,630, and the ratio of the UAAL to the covered payroll was (4.68%).

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

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 9 – COMPENSATED ABSENCES:

Jail Authority employees are granted vacation and sick leave in varying amounts. In addition, certain employees accrue compensation time for overtime hours worked. In the event of termination, employees are reimbursed for their unused accumulated vacation and compensation time. The Authority had accrued \$469,629 as of June 30, 2013 as the liability arising from compensated absences.

The compensated absences liability for the Jail is accounted for using the LIFO basis which is under the assumption that the employees are taking time as it is earned, therefore the current portion to report as of June 30, 2013, was approximately \$46,963.

NOTE 10 – LITIGATION:

At June 30, 2013, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 11 – DUE FROM (TO) OTHER GOVERNMENTS:

Amounts due from (to) other governments at June 30, 2013 are as follows:

From (To) Virginia Compensation Board		
Per diem	\$	298,500
From (To) Member Jurisdictions		
Brunswick County-per diem		(82,787)
Dinwiddie County-per diem		(380,269)
Mecklenburg County-per diem		570,130
Member Contributions Boydton		<u>(502,875)</u>
Total	\$	<u><u>(97,301)</u></u>

NOTE 12 – NET POSITION RESTATEMENT:

Net position amounts were restated as of July 1, 2012 as follows:

Net position, beginning of year, as previously reported	\$	(355,800)
Unamortized bond issuance costs		<u>(665,828)</u>
Net position, beginning of year, as restated	\$	<u><u>(1,021,628)</u></u>

MEHERRIN RIVER REGIONAL JAIL AUTHORITY

Notes to Financial Statements

June 30, 2013 (Continued)

NOTE 13 – SUBSEQUENT EVENTS:

On August 7, 2013, the Authority received state funding of \$30,417,889, which was used to pay off interim financing of (1) Grant Anticipation Note, Series 10 in the amount of \$23,310,000 and (2) SunTrust Note, Series 2011 in the amount of \$6,010,000. Both of these notes were paid off on August 9, 2013.

MEHERRIN RIVER REGIONAL JAIL AUTHORITY
Required Supplementary Information
June 30, 2013

Schedule of Pension Funding Progress-Virginia Retirement System:

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2012	\$ 77,600	\$ 20,736	\$ (56,864)	374.23%	\$ 1,214,630	(4.68%)

Note: Only one year of actuarial data is available.

STATISTICAL INFORMATION

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

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

The financial trend data is comprised of tables that show net position by component, change in net position, operating expenses, other revenues and expenses, and operating revenues and expenses. The revenue capacity data looks at such things as operating revenues by source, revenue and billed inmate days by customer and largest revenue source. The debt capacity data shows outstanding debt by type and revenues bond coverage ratios. The demographic and economic information is comprised of number of inmates, principal employers, population, and unemployment rates by jurisdiction. The operating information contains tables for number of employees by activities and a listing of insurance coverage.

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

		<u>2013</u>
Net investment in capital assets	\$	241,136
Restricted		-
Unrestricted		<u>292,371</u>
Total Net Position	\$	<u><u>533,507</u></u>

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 2
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
CHANGE IN NET POSITION
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income (Loss)</u>	<u>Total Capital Contributions</u>	<u>Change In Net Position</u>
2013	\$ 12,594,951	\$ 13,301,434	\$ (706,483)	\$ 2,261,618	\$ 1,555,135

NOTE: Meherrin River Regional Jail opened July 1, 2012

TABLE 3
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING EXPENSES
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Personnel</u>	<u>Fringe Benefits</u>	<u>Contractual Services</u>	<u>Other Operating Expenses and Supplies</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
2013	\$ 5,400,890	\$ 2,293,469	\$ 1,861,500	\$ 2,179,504	\$ 1,566,072	\$ 13,301,434

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 4
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OTHER REVENUES AND EXPENSES
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Non-Operating Revenues</u>	<u>Capital Contributions</u>	<u>Non-Operating Expenses</u>	<u>Total Other Revenues and Expenses</u>
2013	\$ -	\$ 2,261,618	\$ -	2,261,618

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 5
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING REVENUES AND EXPENSES
Last Ten Fiscal Years

		<u>2013</u>
Revenues:		
Member Jurisdictions	\$	5,274,218
State Compensation Board		6,639,914
Telephone Commission		310,874
Daily Fees		182,959
Work Release		27,975
Weekender Fees		13,227
Home Incarceration		15,827
Medical Co-Pays		9,031
Miscellaneous		120,926
Total Revenues	\$	<u><u>12,594,951</u></u>
Expenses:		
Salaries and benefits	\$	7,694,359
Contractual services		61,531
Materials and supplies		886,208
Medical services and supplies		1,799,969
Food service and supplies		612,681
Utilities		680,614
Depreciation		1,566,072
Total expenses	\$	<u><u>13,301,434</u></u>
Net operating income (loss)	\$	<u><u>(706,483)</u></u>

NOTE: Meherrin River Regional Jail opened July 1, 2012.

TABLE 6
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OPERATING REVENUES BY SOURCE
Last Ten Fiscal Years

Fiscal Year	County of Brunswick	County of Dinwiddie	County of Mecklenburg	Other Governments	Other	Total
2013	\$ 1,774,801	\$ 1,071,699	\$ 2,427,718	\$ 6,639,914	\$ 680,819	\$ 12,594,951

NOTE: Meherrin River Regional Jail opened on July 1, 2012.

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

Fiscal Year	Brunswick County			Dinwiddie County			Mecklenburg County		
	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed	Revenue	Per Diem	Inmate Days Billed
2013	\$ 1,774,801	\$ 34.61	51,280	\$ 1,071,699	\$ 34.61	30,965	\$ 2,427,718	\$ 34.61	70,145

NOTE: Meherrin River Regional Jail opened July 1, 2012.

**TABLE 8
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
LARGEST OPERATING REVENUE SOURCE
Current Year**

	Fiscal Year 2013	
	Amount	%
State Compensation Board	\$ 6,639,914	52.72%
Mecklenburg County	2,427,718	19.28%
Subtotal	\$ 9,067,632	71.99%
Balance from other revenue sources	3,527,319	28.01%
Grand Totals	\$ 12,594,951	100.00%

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

NOTE: Meherrin River Regional Jail opened July 1, 2012.

**TABLE 9
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

Fiscal Year	Revenue Bonds	Notes Payable	Total	Brunswick		Dinwiddie (1)		Mecklenburg	
				Annual Total Personal Income (2) (in thousands)	Annual Per Capita Personal Income (2)	Annual Total Personal Income (2) (in thousands)	Annual Per Capita Personal Income (2)	Annual Total Personal Income (2) (in thousands)	Annual Per Capita Personal Income (2)
2013	\$ 40,415,000	\$ 29,320,000	\$ 69,735,000	\$ 468,093	\$ 27,208	\$ 2,951,555	\$ 37,994	\$ 1,008,394	\$ 30,911

NOTE: Meherrin River Regional Jail opened July 1, 2012.

(1) According to the U.S. Census Bureau, Dinwiddie is part of a Virginia combination area which includes Dinwiddie, Colonial Heights, and Petersburg. Separate estimates for Dinwiddie are not available.

(2) Information provided by the U.S. Census Bureau, Bureau of Economic Analysis.

TABLE 10
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
REVENUE BOND COVERAGE
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating and Capital Expenses (1)</u>	<u>Available Unrestricted Net Position</u>	<u>Net Revenue Available for Debt Service</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Payments to Reserves</u>	<u>Total (3)</u>	<u>Bond Coverage</u>
2013	\$ 12,594,951	\$ 11,735,362	\$ 292,371	\$ 1,151,960	\$ -	\$ -	\$ -	\$ -	\$ N/A

(1) Greater of budgeted or actual operating expenses, exclusive of depreciation.

(2) Less amortization expense

(3) There were no bond payments due in FY 2013 because all interest was capitalized during construction.

TABLE 11
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
INMATE BOOKING STATISTICS
Last Ten Fiscal Years

<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Brunswick	2013	140	26	78

<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Dinwiddie	2013	85	23	56

<u>Jurisdiction</u>	<u>Fiscal Year</u>	<u>Average Daily Population</u>	<u>Average Length of Stay (Days)</u>	<u>Average Monthly Bookings</u>
Mecklenburg	2013	179	28	72

NOTE: Meherrin River Regional Jail opened July 1, 2012.

**TABLE 12
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND PERIOD NINE YEARS AGO**

Brunswick County				Dinwiddie County				Mecklenburg County			
2013				2013				2013			
Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Employees
1	Brunswick County School Board	250-499	1	Southside VA Training Center	1000 & over	1	Mecklenburg County School Board	500-999	1	Mecklenburg County School Board	500-999
2	Geo Corrections & Detention Center	250-499	2	WalMart	500-999	2	Community Memorial Health Center	500-999	2	Community Memorial Health Center	500-999
3	Southside VA Community College	250-499	3	Central State Hospital	500-999	3	Peebles	250-499	3	Peebles	250-499
4	Meherrin River Regional Jail	100-249	4	Dinwiddie County School Board	500-999	4	Jones Distribution Corp	250-499	4	Jones Distribution Corp	250-499
5	County of Brunswick	100-249	5	Chaparral	250-499	5	Global Safety Textiles LLC	250-499	5	Global Safety Textiles LLC	250-499
6	Mr. Bults Inc.	100-249	6	Amazon Com KYDC Inc.	250-499	6	WalMart	250-499	6	WalMart	250-499
7	Saint Paul's College	50-99	7	Dinwiddie Board of Supervisors	250-499	7	Monroe Tree Services Division	100-249	7	Monroe Tree Services Division	100-249
8	Envoy of Lawrenceville	50-99	8	Integrity Staffing Solutions	100-249	8	Food Lion	100-249	8	Food Lion	100-249
9	Logistics Support, Inc.	50-99	9	Hiram W. Davis Medical Center	100-249	9	Lake Country Area Agency on Aging	100-249	9	Lake Country Area Agency on Aging	100-249
10	Brunswick Academy	50-99	10	Tindall Concrete Products	100-249	10	Meadowview Terrace	100-249	10	Meadowview Terrace	100-249
2004				2004				2004			
Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Employees	Rank	Employer	Employees
1	Brunswick County School Board	500-999	1	Southside VA Training Center	1000 & over	1	Mecklenburg County School Board	1000 & over	1	Mecklenburg County School Board	1000 & over
2	Brunswick Correctional Center	250-499	2	WalMart	1000 & over	2	Community Memorial Health Center	500-999	2	Community Memorial Health Center	500-999
3	Wackenhut Corrections	250-499	3	Dinwiddie County School Board	500-999	3	Peebles	250-499	3	Peebles	250-499
4	Southside VA Community College	100-249	4	Central State Hospital	500-999	4	McNaughton Apparel Group Inc.	250-499	4	McNaughton Apparel Group Inc.	250-499
5	Saint Paul's College	100-249	5	Chaparral	250-499	5	Mecklenburg Correctional Center	250-499	5	Mecklenburg Correctional Center	250-499
6	County of Brunswick	100-249	6	Tindall Concrete Products	100-249	6	International Veneer Company	100-249	6	International Veneer Company	100-249
7	Brick & Tile Corp. of Lawrenceville	100-249	7	Hiram W. Davis Medical Center	100-249	7	County of Mecklenburg	100-249	7	County of Mecklenburg	100-249
8	Jones Electric Contractors	50-99	8	County of Dinwiddie	100-249	8	Monroe Tree Services Division	100-249	8	Monroe Tree Services Division	100-249
9	Mariner Health Central Inc.	50-99	9	Philip Morris Products	100-249	9	Penmac Personnel Services	100-249	9	Penmac Personnel Services	100-249
10	Brunswick Academy	50-99	10	Iluka Resources	100-249	10	WalMart	100-249	10	WalMart	100-249

SOURCE: Virginia Employment Commission.

TABLE 13
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
DEMOGRAPHIC STATISTICS FOR MEMBER JURISDICTIONS
LAST TEN CALENDAR YEARS

Fiscal Year	Brunswick County		Dinwiddie County		Mecklenburg County	
	Population	Unemployment Rate	Population	Unemployment Rate	Population	Unemployment Rate
2003	18,072	7.00%	25,415	4.10%	32,546	9.30%
2004	17,981	6.80%	25,770	4.00%	32,547	6.90%
2005	17,981	5.80%	26,149	4.20%	32,554	6.20%
2006	18,011	5.20%	26,590	3.30%	32,642	5.30%
2007	17,823	5.00%	27,078	3.50%	32,823	5.00%
2008	17,791	6.10%	27,694	4.50%	32,920	5.70%
2009	17,507	11.60%	27,888	8.90%	32,815	11.50%
2010	17,421	12.10%	27,998	8.00%	32,672	11.70%
2011	17,133	10.70%	28,054	7.20%	32,583	11.00%
2012	17,010	10.70%	27,994	6.80%	31,749	10.10%

NOTE: Meherrin River Regional Jail opened July 1, 2012.

SOURCE: Provided by US Census Bureau, LAUS Unit, and Bureau of Labor Statistics.

TABLE 14
MEHERRIN RIVER REGIONAL JAIL AUTHORITY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
Last Ten Fiscal Years

	2013
Civilian	16
Sworn Officers	143
Total Employees	159

NOTE: Meherrin River Regional Jail opened July 1, 2012.

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

Insurance Coverage	Insurance Company	Expiration Date	Coverage Limit	Deductible
Building & Personal Property	VACO	7/1/2013	As scheduled	\$ 1,000
Electronic Data Processing Equipment	VACO	7/1/2013	\$ 100,000	\$ 1,000
Earthquake/Flood	VACO	7/1/2013	As scheduled	\$ 25,000
Business Auto	VACO	7/1/2013	\$ 2,000,000	\$ 250
Schedule Equipment	VACO	7/1/2013	As scheduled	\$ 1,000
Boiler and Machinery	VACO	7/1/2013	As scheduled	\$ 1,000
Business Interruption and Extra Expense	VACO	7/1/2013	\$ 100,000	N/A
Workers Compensation	VACO	7/1/2013	\$ 1,000,000	N/A
Faithful Performance of Duty	VACO	7/1/2013	\$ 250,000	\$ 250
Line of Duty	VACO	7/1/2013	Statutory Limit	N/A
Bond *1	Division of Risk Management			
Constitutional Officer *1	Commonwealth of Virginia- Division of Risk Management	7/1/2013	\$ 1,000,000	\$ 1,000

N/A – Not Applicable

*1 – Provided by the Commonwealth of Virginia

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Members of
Meherrin River Regional Jail Authority
Alberta, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Meherrin River Regional Jail Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Meherrin River Regional Jail Authority's basic financial statements and have issued our report thereon dated September 30, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Co. Associates
Charlottesville, Virginia
September 30, 2013