

RIVERSIDE REGIONAL JAIL AUTHORITY

NORTH PRINCE GEORGE, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING
JUNE 30, 2017

RIVERSIDE REGIONAL JAIL AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JULY 1, 2016 THROUGH JUNE 30, 2017



**500 FOLAR Trail
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 29, 2017

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, 2017. 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, 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 outlook for population growth is expected to increase 4% for the member jurisdictions by 2020. The Jail Authority experienced an increase in the average daily population of inmates for fiscal year 2017. The average daily population for the member jurisdictions increased 3.95% from the previous fiscal year.

MAJOR INITIATIVES

In order to demonstrate compliance in correctional facility management, the Jail Authority has undertaken a number of initiatives to ensure operations meet national standards for a local correctional facility.

- The (Main Jail) has been accredited by the American Correction Association (ACA), Adult Local Detention Standards (ALDF) for a three-year period in each of the following years: 1999, 2002, 2006, 2010, 2013 and 2016. 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 (Pre-Release Center) was accredited for a three-year period in 2016 by the American Correctional Association (ACA), Adult Community Residential Standards (ACRS). The audit process for the Pre-Release Center is to enhance the Jail Authority's ability to compete for and maintain Federal Bureau of Prison contracts.
- The Jail Authority received re-certification for compliance with the provisions of the Prison Rape Elimination Act (PREA) in May 2017. The certification is for a three-year period. During the inspection, it was noted by the PREA auditor that the Jail Authority was in full compliance with the PREA standards and in three areas had found the Jail Authority exceeding the standards.
- In order to demonstrate compliance with the provision of appropriate correctional healthcare, the Jail Authority received initial accreditation from the National Commission on Correctional Healthcare (NCCHC) in March 2014. The Jail Authority received a re-accreditation audit in June 2017. The full results of the audit are pending approval of the NCCHC.
- Finally, the Jail Authority received unconditional certification to house adult and juvenile offenders from the Virginia State Board of Corrections in March 2017.

The Jail Authority continues to remain committed to providing offenders an opportunity to address the underlying causes of the criminal behavior. The facility publishes an Annual Programs Report documenting the various programs designed to provide offenders the opportunity to change. The Jail Authority is especially proud of efforts provided to veterans through the targeted programs offered in the Veterans Housing Unit with programs and services designed specifically for those offenders that have service in our Nations Armed Services.

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. The budget preparation process is initiated annually in August of each fiscal year (July 1 through June 30). The Director of Administrative Services, with input from other departments, prepares a Preliminary Budget for the Jail Authority Finance Committee to review. The Preliminary Budget must be submitted to the Jail Authority before January 1st of each year. The Jail Authority Finance Committee reviews the Preliminary Budget and adoption of the final budget must be completed by March 1st annually.

RELEVANT FINANCIAL POLICIES

The Jail Authority maintains (6) six policies to assist in maintaining a strong credit rating, liquidity strength and the ability to operate independently from the member jurisdictions. (Post Issue Compliance Policy, Audit Committee Policy, Capital Improvement Plan Policy, Debt Management Policy, Accounting and Auditing Complaints Policy and the Fund Policy)

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, 2017. 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

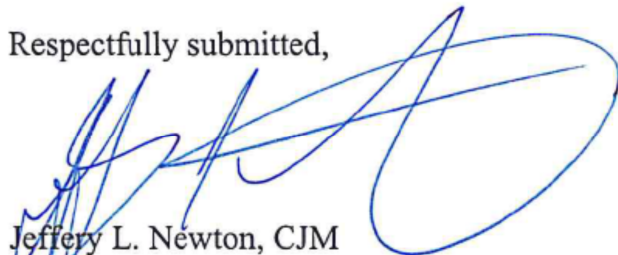
annual financial report for the fiscal year ended June 30, 2016. This was the (19) nineteenth consecutive year that Riverside Regional Jail Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently 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 CJM 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, 2016

A handwritten signature in black ink, which appears to read 'Jeffrey R. Emen'. The signature is fluid and cursive.

Executive Director/CEO

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2017

Chair

Tyrone Franklin
Surry County

Vice Chair

Sheriff Todd Wilson
City of Colonial Heights

Secretary/Treasurer

Lou Lassiter
Chesterfield County

Other Members

Sheriff Carlos Turner
Surry County

Tom Tyrell
City of Petersburg

Sheriff Vanessa Crawford
City of Petersburg

Sheriff Karl Leonard
Chesterfield County

Zach Trogon
Charles City County

Sheriff Alan Jones Sr.
Charles City County

Percy C. Ashcraft
Prince George County

Sheriff H. E. Allin, III
Prince George County

Mark Haley
City of Hopewell

Sheriff Luther Sodat
City of Hopewell

Tomeka Smith
City of Colonial Heights

William H. Hefty, Esq.
Counsel

Jeffery L. Newton, CJM
Superintendent

**RIVERSIDE REGIONAL JAIL AUTHORITY
ADMINISTRATIVE STRUCTURE**

RIVERSIDE REGIONAL JAIL AUTHORITY

**SUPERINTENDENT
COL. JEFFERY L. NEWTON**

**ASST. SUPERINTENDENT
LT. COL. WALTER J. MINTON**

**DIRECTOR OF
ADMINISTRATIVE SERVICES
MRS. CRYSTAL REID**

**DIRECTOR OF OPERATIONS
MAJOR DOUGLAS UPSHAW**

**CHIEF OF COMPLIANCE
CAPTAIN LAURA GRAY**

**DIRECTOR OF COMMUNITY
CORRECTION AND PROGRAMS
MAJOR BILL WILSON**

**DIRECTOR OF INMATE
SERVICES AND SUPPORT
MAJOR DAWN FLIPPIN**

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, the major fund, and the aggregate remaining fund information of the Riverside Regional Jail Authority (the "Authority") as of and for the year ended June 30, 2017, 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, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information 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 and statistical sections 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 29, 2017 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 29, 2017

Riverside Regional Jail Authority

Management's Discussion and Analysis (Unaudited)

September 29, 2017

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, 2017. 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.

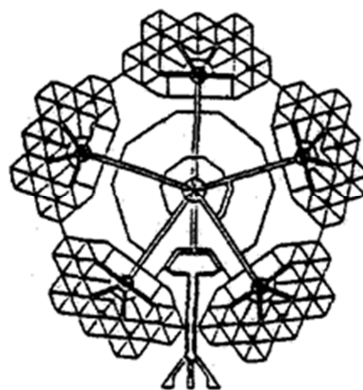
Financial Highlights

- The Jail Authority's change in net position was \$4,179,787 as a result of this year's operating and non-operating financial activities.
- The Jail Authority's operating and non-operating revenues increased by \$694,298, or approximately 1.6%, and operating and non-operating expenses increased by \$477,731, or approximately 1.2%.
- The Jail Authority net investment in capital assets increased by \$1,550,926, or 2.5 %.
- The Jail Authority met its financial obligations with regard to the Series 2013 and Series 2015 bonds, making principal payments totaling \$3,425,000.
- The Jail Authority average daily population increased by 48 inmates, or 3.19%.

Using this Annual Report

The Financial Section of this Annual Report consists of the Independent Auditor's Report, 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 enterprise funds, Operating and Canteen. 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, obligations to creditors (liabilities), and deferred inflows of resources. 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$118,182,771 at June 30, 2017. The Jail Authority's total Operating Fund net position increased by \$4,029,945 as compared to last year and the Canteen Fund net position increased by \$149,842. 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

	2017	2016	Increase (Decrease)	
			Dollars	Percent
Capital assets - net	\$ 145,830,221	\$ 148,049,713	\$ (2,219,492)	(1.5) %
Other assets	58,167,480	*57,893,463	276,017	0.5 %
Total assets	<u>\$ 203,997,701</u>	<u>\$ 205,941,176</u>	<u>\$ (1,943,475)</u>	<u>(0.9) %</u>
Deferred outflows of resources	\$ 7,045,914	\$ 6,648,475	\$ 397,439	6.0 %
Long-term liabilities - net	\$ 83,383,886	\$ 89,075,350	\$ (5,691,464)	(6.4) %
Other liabilities	8,654,045	*8,026,423	627,622	7.8 %
Total liabilities	<u>\$ 92,037,931</u>	<u>\$ 97,101,773</u>	<u>\$ (5,063,842)</u>	<u>(5.2) %</u>
Deferred inflows of resources	\$ 822,913	\$ 1,484,894	\$ (661,981)	(44.6) %
Net position:				
Net investment in capital assets	\$ 64,000,243	\$ 62,449,317	\$ 1,550,926	2.5 %
Restricted	19,744,177	20,282,900	(538,723)	(2.7) %
Unrestricted	34,438,351	31,270,767	3,167,584	10.1 %
Total net position	<u>\$ 118,182,771</u>	<u>\$ 114,002,984</u>	<u>\$ 4,179,787</u>	<u>3.7 %</u>

**As discussed in Note 10, certain assets and liabilities previously presented in the Operating Fund are now presented in a separate agency fund. The 2016 amounts presented above have been restated accordingly.*

The Operating Fund and Canteen Fund had a combined change in net position of \$4,179,787. 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

	2017	2016	Increase (Decrease)	
			Dollars	Percent
Operating revenues:				
Inmate housing	\$ 25,661,966	\$ 24,766,756	\$ 895,210	3.6 %
State Compensation Board	14,053,434	14,352,174	(298,740)	(2.1) %
Daily incarceration fees	571,333	579,022	(7,689)	(1.3) %
Work release	520,869	398,422	122,447	30.7 %
Canteen sales	1,411,553	1,383,021	28,532	2.1 %
Miscellaneous income	131,175	115,222	15,953	13.8 %
Non-operating revenues:				
Interest revenue	183,563	209,599	(26,036)	(12.4) %
State and federal grants	42,833	79,066	(36,233)	(45.8) %
Miscellaneous income	505,376	504,522	854	0.2 %
Total revenues	<u>\$ 43,082,102</u>	<u>\$ 42,387,804</u>	<u>\$ 694,298</u>	<u>1.6 %</u>
Operating expenses:				
Salaries and wages	\$ 15,780,058	\$ 16,229,999	\$ (449,941)	(2.8) %
Fringe benefits	3,368,094	3,118,198	249,896	8.0 %
Contractual services	1,597,777	1,525,689	72,088	4.7 %
Materials and supplies	575,106	540,461	34,646	6.4 %
Medical services and supplies	5,554,146	4,824,290	729,856	15.1 %
Food services and supplies	1,585,996	1,558,699	27,297	1.8 %
Repairs and maintenance	813,981	909,809	(95,828)	(10.5) %
Utilities	2,084,505	2,103,097	(18,592)	(0.9) %
Depreciation	3,857,073	3,793,174	63,898	1.7 %
Other	501,084	479,640	21,444	4.5 %
Non-operating expenses:				
Interest expense	3,184,495	3,341,528	(157,033)	(4.7) %
Total expenses	<u>\$ 38,902,315</u>	<u>\$ 38,424,584</u>	<u>\$ 477,731</u>	<u>1.2 %</u>
Change in net position	\$ 4,179,787	\$ 3,963,220	\$ 216,567	5.5 %
Beginning net position	114,002,984	110,039,764	3,963,220	3.6 %
Ending net position	<u>\$ 118,182,771</u>	<u>\$ 114,002,984</u>	<u>\$ 4,179,787</u>	<u>3.7 %</u>

The Jail Authority Work Release revenues increased 30.7% due to the participation of more inmates in the Work Release Program. The judges of the member localities placed more inmates on the program to aid them in a productive return to the community. Miscellaneous income operating revenues increased 13.8% primarily due to a higher inmate participation in the Weekender program. Member localities judges have placed more inmates to serve weekends to complete their sentence.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2017, the Jail Authority had \$145,830,221, net of depreciation, invested in a broad range of capital assets (Operating and Canteen Funds), including land, buildings, vehicles, office, computer equipment and financial software. This amount represents a net decrease (including additions and deletions) of \$2,219,492 over last year. Depreciation expense was \$3,857,073 for fiscal year 2017.

The following table summarizes the Jail Authority's capital assets, net of accumulated depreciation, as of June 30, 2017 and 2016 for Operating and Canteen Funds combined.

	2017	2016
Buildings	\$ 141,313,390	\$ 144,463,585
Furniture and equipment	3,612,790	3,006,540
Land	322,584	322,584
Land improvements	129,579	38,528
Vehicles	182,678	140,188
Computers and software	269,200	78,288
Total capital assets (net of accumulated depreciation)	<u>\$ 145,830,221</u>	<u>\$ 148,049,713</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 4 to the financial statements.

	2017	2016
Balance at beginning of year	\$ 191,150,329	\$ 190,123,626
Additions	1,637,581	1,039,034
Deletions	(42,612)	(12,331)
Accumulated depreciation	<u>(46,915,077)</u>	<u>(43,100,616)</u>
Balance at end of year	<u>\$ 145,830,221</u>	<u>\$ 148,049,713</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 \$79,395,000 outstanding as compared to fiscal year 2016 outstanding bonds in the amount of \$82,820,000. Additional information on the bonds is contained in Note 5.

Economic Factors and Next Year's Budgets and Rates

- 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 2018 Annual Budget with limited increases in expenses primarily due to concerted efforts to address projected staff retirements and staff turnover.

All of these factors were considered in preparing the Jail Authority's budget for the 2018 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, 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, 2017

	Major Fund Operating Fund	Nonmajor Fund Canteen Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents (Note 2)	\$ 16,549,678	\$ -	\$ 16,549,678
Cash and cash equivalents, restricted (Note 2)	5,294,786	414,125	5,708,911
Investments, unrestricted (Note 2)	12,013,958	-	12,013,958
Accounts receivable (Note 3)	5,566,514	-	5,566,514
Due from other funds (Note 7)	3,139	-	3,139
Amounts receivable from inmate accounts agency fund (Note 7)	79,133	61,104	140,237
Total current assets	39,507,208	475,229	39,982,437
Noncurrent assets			
Cash and cash equivalents, restricted (Note 2)	15,788,589	-	15,788,589
Net pension asset (Note 6)	2,396,454	-	2,396,454
Capital assets:			
Nondepreciable (Note 4)	322,584	-	322,584
Depreciable, net (Note 4)	145,503,558	4,079	145,507,637
Total noncurrent assets	164,011,185	4,079	164,015,264
Total assets	203,518,393	479,308	203,997,701
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts from refunding of debt	4,805,802	-	4,805,802
Pension related deferred outflows (Note 6)	2,240,112	-	2,240,112
Total deferred outflows of resources	7,045,914	-	7,045,914
LIABILITIES			
Current liabilities			
Accounts payable	780,036	46,331	826,367
Due to other funds (Note 7)	-	3,139	3,139
Accrued liabilities	570,377	-	570,377
Unearned revenues - current	500,000	-	500,000
Compensated absences payable - current portion (Note 5)	621,323	-	621,323
Accrued interest payable	1,764,957	-	1,764,957
Bonds payable - current portion (Note 5)	4,367,882	-	4,367,882
Total current liabilities	8,604,575	49,470	8,654,045
Long-term liabilities			
Unearned revenues	334,247	-	334,247
Compensated absences payable, net of current portion (Note 5)	781,741	-	781,741
Bonds payable, net of current portion (Note 5)	82,267,898	-	82,267,898
Total long-term liabilities	83,383,886	-	83,383,886
Total liabilities	91,988,461	49,470	92,037,931
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows (Note 6)	822,913	-	822,913
NET POSITION			
Net investment in capital assets	63,996,164	4,079	64,000,243
Restricted for:			
Debt service	10,627,446	-	10,627,446
Operating reserve	8,377,851	-	8,377,851
Repair and replacement reserve	312,704	-	312,704
Construction reserve	417	-	417
Canteen funds	-	425,759	425,759
Unrestricted	34,438,351	-	34,438,351
Total net position	\$ 117,752,933	\$ 429,838	\$ 118,182,771

RIVERSIDE REGIONAL JAIL AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2017

	Major Fund	Nonmajor Fund	
	Operating Fund	Canteen Fund	Total
OPERATING REVENUES			
Charges for services - inmate housing	\$ 25,661,966	\$ -	\$ 25,661,966
State Compensation Board	14,053,434	-	14,053,434
Daily incarceration fees	571,333	-	571,333
Work release	520,869	-	520,869
Canteen sales	-	1,411,553	1,411,553
Miscellaneous operating income	131,175	-	131,175
Total operating revenues	<u>40,938,777</u>	<u>1,411,553</u>	<u>42,350,330</u>
OPERATING EXPENSES			
Salaries and wages	15,780,058	-	15,780,058
Fringe benefits	3,368,094	-	3,368,094
Contractual services	549,253	1,048,524	1,597,777
Materials and supplies	473,689	101,417	575,106
Medical services and supplies	5,554,146	-	5,554,146
Food services and supplies	1,570,629	15,367	1,585,996
Repairs and maintenance	813,981	-	813,981
Utilities	2,084,505	-	2,084,505
Depreciation	3,856,557	516	3,857,073
Other expenses	415,233	85,851	501,084
Total operating expenses	<u>34,466,145</u>	<u>1,251,675</u>	<u>35,717,820</u>
Operating income	<u>6,472,632</u>	<u>159,878</u>	<u>6,632,510</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	183,563	-	183,563
State and federal grants	42,833	-	42,833
Miscellaneous nonoperating income	505,376	-	505,376
Interest expense	(3,184,495)	-	(3,184,495)
Total nonoperating revenue (expenses)	<u>(2,452,723)</u>	<u>-</u>	<u>(2,452,723)</u>
Income before transfers	4,019,909	159,878	4,179,787
TRANSFERS IN (Note 7)	10,036	-	10,036
TRANSFERS OUT (Note 7)	<u>-</u>	<u>(10,036)</u>	<u>(10,036)</u>
Change in net position	4,029,945	149,842	4,179,787
NET POSITION -- AT JULY 1	<u>113,722,988</u>	<u>279,996</u>	<u>114,002,984</u>
NET POSITION -- AT JUNE 30	<u>\$ 117,752,933</u>	<u>\$ 429,838</u>	<u>\$ 118,182,771</u>

RIVERSIDE REGIONAL JAIL AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	Major Fund Operating Fund	Nonmajor Fund Canteen Fund	Total
OPERATING ACTIVITIES			
Receipts from jurisdictions	\$ 26,569,657	\$ -	\$ 26,569,657
Receipts from state agencies	14,096,038	-	14,096,038
Receipts from canteen sales	-	1,350,449	1,350,449
Receipts from inmates	1,144,244	-	1,144,244
Contract agreements and miscellaneous income received	-	-	-
Payments to suppliers	(11,798,033)	(1,248,118)	(13,046,151)
Payments to employees	(19,344,196)	-	(19,344,196)
Net cash provided by operating activities	10,667,710	102,331	10,770,041
NONCAPITAL FINANCING ACTIVITIES			
State and federal grants	42,833	-	42,833
Miscellaneous income received	5,376	-	5,376
Net cash provided by noncapital financing activities	48,209	-	48,209
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,618,867)	-	(1,618,867)
Principal paid on capital debt	(3,425,000)	-	(3,425,000)
Interest paid on capital debt	(3,581,288)	-	(3,581,288)
Net cash used in capital and related financing activities	(8,625,155)	-	(8,625,155)
INVESTING ACTIVITIES			
Sales of investments, net	538,385	-	538,385
Interest income received	118,945	-	118,945
Net cash provided by investing activities	657,330	-	657,330
Net increase in cash and cash equivalents	2,748,094	102,331	2,850,425
CASH AND CASH EQUIVALENTS			
Beginning at July 1, as restated (Note 10)	34,884,959	311,794	35,196,753
Ending at June 30	\$ 37,633,053	\$ 414,125	\$ 38,047,178
RECONCILIATION TO EXHIBIT 1			
Cash and cash equivalents	\$ 16,549,678	\$ -	\$ 16,549,678
Cash and cash equivalents, restricted	5,294,786	414,125	5,708,911
Cash and cash equivalents - non-current, restricted	15,788,589	-	15,788,589
	\$ 37,633,053	\$ 414,125	\$ 38,047,178
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 6,472,632	\$ 159,878	\$ 6,632,510
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,856,557	516	3,857,073
Excess of employer contributions over pension expense	(298,831)	-	(298,831)
Changes in assets and liabilities:			
Accounts receivable	950,295	-	950,295
Due from other funds	(3,139)	-	(3,139)
Amounts receivable from inmate accounts agency fund	(79,133)	(61,104)	(140,237)
Accounts payable	(333,458)	(98)	(333,556)
Due to other funds	-	3,139	3,139
Accrued liabilities	63,116	-	63,116
Compensated absences payable	39,671	-	39,671
Net cash provided by operating activities	\$ 10,667,710	\$ 102,331	\$ 10,770,041
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset purchases included in accounts payable at year end	\$ 18,714	\$ -	\$ 18,714
Net transfer of payroll liabilities and pension-related balances from the Canteen Fund to the Operating Fund (Note 7)	(10,036)	10,036	-

RIVERSIDE REGIONAL JAIL AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	<u>Agency Fund</u> <u>Inmate Accounts</u>
ASSETS	
Cash and cash equivalents, restricted (Note 2)	\$ 307,881
LIABILITIES	
Amounts payable to the Authority (Note 7)	140,237
Amounts held for benefit of inmates	167,644
Total liabilities	\$ 307,881

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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:

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) and deferred outflows/inflows of resources are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority reports one major proprietary fund, the Operating Fund. This fund is used to account for the activities necessary for operating the jail facility. This fund does not account for funds collected from or held for inmates. The nonmajor Canteen Fund accounts for inmate charges.

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, fees collected from inmates, 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.

The Authority also reports an agency fund to account for monies held on behalf of inmates. Agency funds use the accrual basis of accounting, but have no measurement focus since they report only assets and liabilities.

Cash and cash equivalents:

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

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 & improvements	10 - 60 years
Land improvements	15 years
Furniture & equipment	10 years
Vehicles	5 years
Computer hardware & software	3 - 10 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.

Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources:

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category. The first is a deferred charge on refunding which 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. The second item that qualifies for reporting in this category consists of pension-related items. This category includes contributions made subsequent to the measurement date for pensions, which will be applied to the net pension liability in the next fiscal year, and differences between projected and actual earnings on plan investments, which will be recognized in pension expense over the closed five-year period.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting under this category, which is the net difference between expected and actual experience for economic/demographic factors in the measurement of the total pension liability. This difference will be recognized in pension expense over a closed five year period.

Net position:

Net position is the difference between assets, deferred outflows of resources, 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. 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. Operating Fund amounts are restricted in accordance with the Master Indenture. Restrictions on Canteen Fund net position are imposed by §53.1-127.1 of the *Code of Virginia*.

Unrestricted net position represents the remaining net position not included as the previous two categories. The Authority has internally designated a portion of unrestricted net position for the following purposes and amounts: Fund balance reserve, \$7,818,811; rainy day fund, \$4,034,686; capital improvements fund, \$6,115,381; operating fund, \$10,538,655; and arbitrage reserve, \$55,200.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Unearned revenues:

Unearned revenues represent a liability that arises when resources are obtained before revenue recognition criteria have been satisfied.

Fair value measurement:

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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). Both the LGIP and SNAP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the Authority's position in the pools is the same as the value of the pool shares and is reported within the guidelines of GASB Statement 79.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Credit risk:

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

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.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

As of June 30, 2017, the Authority's deposits and investments consisted of the following:

Type	Fair Value	S&P Credit Rating	Weighted Average Maturity
Deposits:			
Cash in bank	\$ 17,215,584	N/A	N/A
Cash on hand	900	N/A	N/A
Money market	5,295,203	N/A	N/A
Total deposits	<u>22,511,687</u>		
Investments – Level 1:			
U.S. Treasury notes	<u>1,023,027</u>	AA+	3.50 years
Investments – Level 2:			
Virginia State Non-Arbitrage Program	15,843,372	AAAm	1 day
Federal agency bonds and notes	10,990,931	AA+	1.38 years
Total investments – Level 2	<u>26,834,303</u>		
Total investments	<u>27,857,330</u>		
Total deposits and investments	<u>\$ 50,369,017</u>		

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Reconciliation of deposits and investments to Exhibits 1 and 4:

	Exhibit 1	Exhibit 4	Total
Cash and cash equivalents	\$ 16,549,678	\$ -	\$ 16,549,678
Cash and cash equivalents, restricted	5,708,911	307,881	6,016,792
Cash and cash equivalents – noncurrent, restricted	15,788,589	-	15,788,589
Investments, unrestricted	12,013,958	-	12,013,958
	<u>\$ 50,061,136</u>	<u>\$ 307,881</u>	<u>\$ 50,369,017</u>

Restricted amounts:

Details on restricted cash and cash equivalents in Exhibit 1 are as follows:

2013 Bond fund, fiscal year 2017 payment	\$ 3,929,451
2015 Bond fund, fiscal year 2017 payment	1,365,335
Inmate canteen funds	414,125
Cash and cash equivalents – restricted	<u>\$ 5,708,911</u>
Construction fund	\$ 417
Operating reserve	8,377,851
Repair and replacement reserve	312,704
Debt service reserve fund	7,097,617
Cash and cash equivalents – non-current, restricted	<u>\$ 15,788,589</u>

Note 3. Accounts Receivable

Accounts receivable consist of the following:

Member jurisdictions	\$ 3,182,455
Commonwealth of Virginia	2,098,712
Federal agencies	282,312
Other	3,035
	<u>\$ 5,566,514</u>

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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
Capital assets, depreciable				
Buildings and improvements	181,522,435	29,054	8,803	181,542,686
Furniture and equipment	7,734,026	1,163,214	30,729	8,866,511
Computer hardware and software	844,103	246,256	1,412	1,088,947
Vehicles	671,887	99,939	-	771,826
Land improvements	48,473	99,118	-	147,591
Total capital assets, depreciable	190,820,924	1,637,581	40,944	192,417,561
Less accumulated depreciation:				
Buildings and improvements	37,058,850	3,179,249	8,803	40,229,296
Furniture and equipment	4,732,081	556,448	30,729	5,257,800
Computer hardware and software	765,815	55,344	1,412	819,747
Vehicles	531,699	57,449	-	589,148
Land improvements	9,945	8,067	-	18,012
Total accumulated depreciation	43,098,390	3,856,557	40,944	46,914,003
Total capital assets depreciable, net	147,722,534	(2,218,976)	-	145,503,558
Total capital assets, net	\$ 148,045,118	\$ (2,218,976)	\$ -	\$ 145,826,142

(Continued)

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	\$ 1,668	\$ -	\$ 1,668	\$ -
Equipment	5,153	-	-	5,153
Total capital assets, being depreciated	6,821	-	1,668	5,153
Less accumulated depreciation:				
Computers	1,668	-	1,668	-
Equipment	558	516	-	1,074
Total accumulated depreciation	2,226	516	1,668	1,074
Total capital assets depreciable, net	\$ 4,595	\$ (516)	\$ -	\$ 4,079

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	\$ 82,820,000	\$ -	\$ 3,425,000	\$ 79,395,000	\$ 3,520,000
Issuance premiums	8,119,331	-	878,551	7,240,780	847,882
	90,939,331	-	4,303,551	86,635,780	4,367,882
Compensated absences	1,363,393	2,057,709	2,018,038	1,403,064	621,323
Total long-term liabilities	\$ 92,302,724	\$ 2,057,709	\$ 6,321,589	\$ 88,038,844	\$ 4,989,205

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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>
2018	\$ 3,520,000	\$ 3,475,088	\$ 6,995,088
2019	3,630,000	3,347,663	6,977,663
2020	3,780,000	3,199,463	6,979,463
2021	3,935,000	3,031,113	6,966,113
2022	4,110,000	2,841,363	6,951,363
2023-2027	23,705,000	10,978,653	34,683,653
2028-2032	29,890,000	4,682,203	34,572,203
2033	6,825,000	112,031	6,937,031
	<u>\$ 79,395,000</u>	<u>\$ 31,667,577</u>	<u>\$ 111,062,577</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 2015 Jail Facility Revenue Bonds	03/12/2016	07/01/2032	\$ 44,765,000	3.67%	\$ 44,180,000
Series 2013 Jail Facility Revenue Bonds	06/27/2013	07/01/2032	\$ 44,025,000	4.27%	35,215,000
					<u>\$ 79,395,000</u>

The Authority's debt agreements contain certain financial covenants for which the Authority was in compliance at June 30, 2017.

Note 6. Defined Benefit Pension Plan

Plan Description

All full-time, salaried permanent employees of the Authority (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are as follows:

Plan 1 – 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% 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.
- **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.

(Continued)

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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 1.70%. 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 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- 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.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% 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.

Plan 2 - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 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 have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **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** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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 Plan 1 and 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. 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.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through 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 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **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 (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility –**
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **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, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Earliest Reduced Retirement Eligibility –**
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.
- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –**
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	49
Inactive members:	
Vested inactive members	43
Non-vested inactive members	251
Inactive members active elsewhere in VRS	<u>137</u>
Total inactive members	431
Active members	<u>352</u>
Total covered employees	<u><u>832</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% 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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 8.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,146,951 and \$1,303,496 for the years ended June 30, 2017 and June 30, 2016, respectively.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Net Pension Asset

The political subdivision's net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions – General Employees (Continued)

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28	1.04
Emerging Market Equity	6.00	10.00	0.60
Fixed Income	15.00	0.09	0.01
Emerging Debt	3.00	3.51	0.11
Rate Sensitive Credit	4.50	3.51	0.16
Non Rate Sensitive Credit	4.50	5.00	0.23
Convertibles	3.00	4.81	0.14
Public Real Estate	2.25	6.12	0.14
Private Real Estate	12.75	7.10	0.91
Private Equity	12.00	10.41	1.25
Cash	1.00	(1.50)	(0.02)
Total	100.00 %		5.83 %
	Inflation		2.50 %
	* Expected arithmetic nominal return		8.33 %

(Continued)

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return (Continued)

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2015	\$ 35,496,200	\$ 39,186,376	\$ (3,690,176)
Changes for the year:			
Service cost	2,150,926	-	2,150,926
Interest	2,462,197	-	2,462,197
Difference between expected and actual experience	(589,893)	-	(589,893)
Contributions – employer	-	1,303,496	(1,303,496)
Contributions – employee	-	713,279	(713,279)
Net investment income	-	736,406	(736,406)
Benefit payments, including refunds of employee contributions	(643,927)	(643,927)	-
Administrative expenses	-	(23,372)	23,372
Other changes	-	(301)	301
Net changes	3,379,303	2,085,581	1,293,722
Balances at June 30, 2016	\$ 38,875,503	\$ 41,271,957	\$ (2,396,454)

(Continued)

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability (asset)	\$ 3,970,300	\$ (2,396,454)	\$ (7,584,527)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$848,120. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 822,913
Net difference between projected and actual earnings on pension plan investments	1,093,161	-
Employer contributions subsequent to the measurement date	<u>1,146,951</u>	<u>-</u>
Total	<u><u>\$ 2,240,112</u></u>	<u><u>\$ 822,913</u></u>

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 6. Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The Authority reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as an increase of the Net Pension Asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2018	\$ (291,174)
2019	(265,233)
2020	445,307
2021	381,348
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 7. Interfund Balances and Transfers

The following interfund receivables and payables are included in the fund financial statements at June 30, 2017:

	<u>Due From</u>		<u>Total Due From Other Funds</u>
	<u>Canteen Fund</u>	<u>Inmate Accounts Agency Fund</u>	
Due To			
Operating Fund	\$ 3,139	\$ 79,133	\$ 82,272
Canteen Fund	-	61,104	61,104
	<u>\$ 3,139</u>	<u>\$ 140,237</u>	<u>\$ 143,376</u>

Amounts due to the Operating Fund include general and administrative charges and various reimbursements. Amounts due to the Canteen Fund include charges for goods and services provided to inmates.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Interfund Balances and Transfers (Continued)

During the year ending June 30, 2017, all personnel-related assets and liabilities were transferred from the Canteen Fund to the Operating Fund:

Net pension-related assets, deferred outflows, and deferred inflows	\$ 32,186
Accrued liabilities	(6,732)
Compensated absences payable	<u>(15,418)</u>
	<u>\$ 10,036</u>

Note 8. 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 9. Risk Management

The Authority's risk management program involves maintaining comprehensive insurance coverage and identifying and monitoring loss exposure. The Authority's comprehensive property, boiler and machinery, automobile, business interruption, inland marine insurance, Line of Duty Act, 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, 2017 or claims not covered by existing policies. Claims have not exceeded coverage for the last four fiscal years.

Note 10. Change in Agency Fund Presentation

Monies held for inmates were previously recorded as a restricted asset in the Operating Fund, offset by a corresponding liability. These amounts meet the definition of a fiduciary fund in that they are assets held in an agency capacity for others, and cannot be used to support the Authority's own programs. As a result, an agency fund is now presented for these amounts at Exhibit 4. This correction had no impact on beginning net position, but did result in a reduction of \$191,387 to beginning Operating Fund cash.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. New Accounting Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. New Accounting Standards (Continued)

GASB Statement No. 85, *Omnibus 2017* (Continued)

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

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

REQUIRED SUPPLEMENTARY INFORMATION

RIVERSIDE REGIONAL JAIL AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	Plan Year Ended June 30,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 2,150,926	\$ 2,060,095	\$ 1,970,573
Interest on total pension liability	2,462,197	2,252,657	2,008,571
Difference between actual and expected experience	(589,893)	(772,215)	-
Benefit payments, including refunds of employee contributions	(643,927)	(450,291)	(534,137)
Net change in total pension liability	3,379,303	3,090,246	3,445,007
Total pension liability - beginning	35,496,200	32,405,954	28,960,947
Total pension liability - ending	<u>\$ 38,875,503</u>	<u>\$ 35,496,200</u>	<u>\$ 32,405,954</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,303,496	\$ 1,272,768	\$ 1,356,380
Contributions - employee	713,279	697,572	668,321
Net investment income	736,406	1,698,455	4,815,572
Benefit payments, including refunds of employee contributions	(643,927)	(450,291)	(534,137)
Administrative expenses	(23,372)	(21,410)	(24,447)
Other changes	(301)	(364)	253
Net change in plan fiduciary net position	2,085,581	3,196,730	6,281,942
Plan fiduciary net position - beginning	39,186,376	35,989,646	29,707,704
Plan fiduciary net position - ending	<u>\$ 41,271,957</u>	<u>\$ 39,186,376</u>	<u>\$ 35,989,646</u>
Net pension liability (asset) - ending	<u>\$ (2,396,454)</u>	<u>\$ (3,690,176)</u>	<u>\$ (3,583,692)</u>
Plan fiduciary net position as a percentage of total pension asset	106%	110%	111%
Covered payroll	<u>\$ 14,230,306</u>	<u>\$ 13,894,847</u>	<u>\$ 13,729,157</u>
Net pension asset as a percentage of covered payroll	17%	27%	26%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - e.g., plan year 2014 was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, data from before then is not available. However, additional years will be included as they become available.

RIVERSIDE REGIONAL JAIL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 1,146,951	\$ 1,146,951	\$ -	\$ 14,043,639	8.17%
2016	1,303,496	1,303,496	-	14,230,306	9.16%
2015	1,272,768	1,272,768	-	13,894,847	9.16%

This schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, data from before then is not available. However, additional years will be included as they become available.

The covered payroll amounts above are for the Authority's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

RIVERSIDE REGIONAL JAIL AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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

These tables present 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.

Tables 5 - 6

Demographic and Economic Information

These tables offer 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.

Tables 7 - 8

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Tables 9 - 11

Other Information

The table presents a summary of insurance coverage in force separated by type and insurance company.

Table 12

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 64,000,243	\$ 62,449,317	\$ 61,778,237	\$* 60,702,234	\$ 66,463,717	\$ 65,847,316	\$ 66,809,229	\$ 19,218,446	\$ 20,883,322	\$ 13,255,361
Restricted	19,744,177	20,282,900	20,274,448	19,757,014	15,596,539	20,096,513	20,354,400	71,523,261	23,929,384	28,973,307
Unrestricted	34,438,351	31,270,767	** 27,987,079	* 25,328,498	19,820,836	17,119,171	13,491,881	11,986,242	19,229,219	14,341,180
Total Net Position	\$ 118,182,771	\$ 114,002,984	\$ 110,039,764	\$ 105,787,746	\$ 101,881,092	\$ 103,063,000	\$ 100,655,510	\$ 102,727,949	\$ 64,041,925	\$ 56,569,848

* Restated for implementation of GASB Statement No. 65

** GASB Statement No. 68 was adopted in fiscal year 2015.

TABLE 2

RIVERSIDE REGIONAL JAIL AUTHORITY
CHANGES IN NET POSITION

Last Ten Fiscal Years	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues										
Charges for services- inmate housing	\$ 25,661,966	\$ 24,766,756	\$ 23,959,544	\$ 25,721,049	\$ 23,256,688	\$ 23,155,970	\$ 22,692,000	\$ 19,640,607	\$ 19,132,352	\$ 20,781,683
State Compensation Board	14,053,434	14,352,174	13,235,682	13,385,391	12,726,338	12,735,177	12,493,133	10,710,641	7,078,241	9,433,856
Daily incarceration fees	571,333	579,022	268,371	278,045	262,236	250,911	246,560	252,159	229,165	231,172
Federal Grants passed through the Commonwealth of Virginia										
Reimbursements	-	-	-	-	-	-	-	616,930	2,756,813	-
Per diems, net of recoveries	-	-	-	-	-	-	-	-	658,415	-
Work release	520,869	398,422	277,182	243,207	294,850	225,927	105,214	164,329	157,655	183,377
Canteen sales- net 2007-2010, gross 2011-2016	1,411,553	1,383,021	1,417,313	1,545,388	1,357,162	1,096,987	1,018,362	417,026	415,649	440,090
Miscellaneous income	131,175	-	-	-	-	-	-	-	-	-
Nonoperating revenues										
Investment income	183,563	209,599	38,903	346,856	572,409	569,367	562,790	783,887	3,225,177	4,944,678
Miscellaneous income	505,376	698,810	254,833	94,182	199,255	132,127	292,306	340,703	113,059	99,617
Telephone commissions	-	-	465,335	614,442	633,036	488,040	467,910	411,611	375,404	411,248
RSAT grant revenue	42,833	-	-	-	-	-	-	-	65,996	64,921
Commonwealth of Virginia reimbursements	-	-	-	-	-	-	-	-	5,420,483	-
Total revenues	43,082,102	42,387,804	39,917,163	42,228,560	39,301,974	38,654,506	37,878,275	33,337,893	39,628,409	36,590,642
Operating expenses										
Salaries and wages	15,780,058	16,229,999	13,948,873	13,642,700	13,758,502	13,722,458	14,358,464	14,381,868	13,214,293	12,546,749
Fringe benefits	3,368,094	3,118,198	3,976,992	4,671,817	4,426,271	4,650,730	5,028,687	4,626,749	3,904,974	3,836,145
Contractual services	1,597,777	1,525,689	1,433,461	1,390,918	1,268,453	1,100,609	955,665	535,817	488,118	616,276
Materials and supplies	575,106	540,461	468,785	551,661	456,643	584,612	273,247	564,042	471,884	557,319
Medical services and supplies	5,554,146	4,824,290	5,590,650	5,439,134	5,326,272	2,482,628	1,806,588	2,056,299	1,921,576	1,923,598
Food service and supplies	1,585,996	1,558,699	1,521,714	1,509,434	1,400,026	1,549,234	1,957,951	1,876,909	1,770,483	1,675,318
Repairs and maintenance	813,981	909,809	891,359	979,798	688,519	713,627	678,346	745,300	768,513	588,955
Utilities	2,084,505	2,103,097	2,097,263	2,060,824	2,094,137	2,267,726	2,245,263	1,984,911	1,731,210	1,630,270
Depreciation	3,857,073	3,793,174	3,735,242	3,675,804	3,508,674	3,311,249	3,330,194	2,139,853	1,737,811	1,677,926
Other	501,084	479,640	586,905	589,150	496,778	384,897	414,759	647,093	616,867	718,258
Nonoperating expenses										
Interest expense	3,184,495	3,341,528	3,133,852	3,810,666	5,314,288	5,479,246	5,639,475	4,476,650	3,587,244	3,764,301
Bond issuance expense	-	-	383,186	-	-	-	-	-	-	-
Commonwealth of Va. budget reduction	-	-	-	-	-	-	-	593,584	601,459	-
Transfer to member jurisdictions	-	-	-	-	-	-	3,262,075	429,066	1,341,900	2,732,741
Total expenses	38,902,315	38,424,584	37,768,282	38,321,906	38,738,563	36,247,016	39,950,714	35,058,141	32,156,332	32,267,856
Change in net position	4,179,787	3,963,220	2,148,881	3,906,654	563,411	2,407,490	(2,072,439)	(1,720,248)	7,472,077	4,322,786
Beginning net position	114,002,984 **	110,039,764 *	107,890,883	101,881,092	103,063,000	100,655,510	102,727,949	64,041,925	56,569,848	52,247,062
Contributed capital- Commonwealth of Virginia	-	-	-	-	-	-	-	40,406,272	-	-
Ending net position	\$ 118,182,771	\$ 114,002,984	\$ 110,039,764	\$ 105,787,746	\$ 103,626,411	\$ 103,063,000	\$ 100,655,510	\$ 102,727,949	\$ 64,041,925	\$ 56,569,848

* Restated for implementation of GASB Statement No. 65

** Restated for implementation of GASB Statement No. 68

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	Member Localities Subtotal
2017	\$ 272,000	\$ 11,198,840	\$ 2,149,560	\$ 2,408,680	\$ 3,433,237	\$ 1,276,120	\$ 149,720	\$ 20,888,157
2016	294,040	10,258,760	2,129,520	2,510,360	3,306,960	1,383,040	151,080	19,882,680
2015	238,760	10,847,280	2,295,800	2,637,640	1,512,960	1,845,360	208,880	19,377,800
2014	335,200	11,618,200	2,607,600	2,622,640	1,139,440	2,139,960	223,840	20,463,040
2013	346,640	10,231,560	2,397,560	2,605,640	1,409,400	1,907,480	250,880	18,898,280
2012	310,240	9,630,850	2,551,320	2,224,280	2,102,440	1,940,080	206,240	18,759,210
2011	173,082	9,787,651	2,343,993	2,647,885	2,204,910	1,926,157	216,898	19,083,678 (1)
2010	401,635	8,272,978	2,065,229	2,493,356	1,689,605	1,349,760	128,908	16,272,563
2009	394,901	7,171,858	2,109,962	2,293,815	1,860,249	1,076,478	166,315	14,907,263
2008	301,957	7,299,397	2,321,898	2,103,561	1,926,257	1,128,093	145,151	15,081,163

	Regional and Local Jails	Commonwealth of Virginia	Federal Inmates Housing and Transportation	Other Sources Subtotal	Total
2017	\$ 15,033	\$ 3,106,021	\$ 1,652,755	\$ 4,773,809	\$ 25,661,966
2016	7,726	2,979,369	1,745,901	4,732,996	24,615,676
2015	4,890	2,511,638	1,856,336	4,372,864	23,750,664
2014	4,083	3,295,919	1,734,167	5,034,169	25,497,209
2013	58,221	2,792,710	1,256,597	4,107,528	23,005,808
2012	398,060	2,883,644	908,816	4,190,520	22,949,730
2011	506,810	2,723,567	161,047	3,391,424	22,475,102 (1)
2010	120,674	3,068,106	50,357	3,239,137	19,511,700
2009	213,757	3,335,564	1,167,868	4,717,189	19,624,452
2008	246,684	3,035,620	2,273,065	5,555,369	20,636,532

(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, 2017 and 2016 and Nine Years Ago

Fiscal Year 2017

Customer	2017 Revenue	Per Diem Rate	Inmate Days Billed
Charles City County	\$ 272,000	\$ 40	6,800
Chesterfield County	11,198,840	40	279,972
City of Hopewell	2,149,560	40	53,739
City of Colonial Heights	2,408,680	40	60,188
City of Petersburg	3,433,237	40	82,925
Prince George County	1,276,120	40	31,903
Surry County	149,720	40	3,743
Regional and Local Jails	15,033	Various	115
Commonwealth of Virginia (b)	3,106,021	Various	N/A
Federal Inmates - Housing	1,652,755	Various	24,868
Total	<u>\$ 25,661,966</u>		<u>544,253</u>

Fiscal Year 2016

Customer	2016 Revenue	Per Diem Rate	Inmate Days Billed
Charles City County	\$ 294,040	\$ 40	7,351
Chesterfield County	10,258,760	40	256,469
City of Hopewell	2,129,520	40	53,238
City of Colonial Heights	2,510,360	40	62,759
City of Petersburg	3,306,960	40	82,674
Prince George County	1,383,040	40	34,576
Surry County	151,080	40	3,777
Regional and Local Jails	7,726	Various	168
Commonwealth of Virginia (b)	2,979,369	Various	N/A
Federal Inmates - Housing	1,745,901	Various	26,124
Total	<u>\$ 24,766,756</u>		<u>527,136</u>

Fiscal Year 2008

Customer	2008 Revenue	Per Diem Rate	Inmate Days Billed
Charles City County	\$ 301,957	\$ 37	8,161
Chesterfield County	7,299,397	37	197,281
City of Hopewell	2,321,898	37	62,754
City of Colonial Heights	2,103,561	37	56,853
City of Petersburg	1,926,257	37	52,061
Prince George County	1,128,093	37	30,489
Surry County	145,151	37	3,923
Regional and Local Jails	246,684	Various	5,847
Commonwealth of Virginia (b)	3,035,620	Various	N/A
Federal Inmates - Housing	2,273,065	Various	34,223
Total	<u>\$ 20,781,683</u>		<u>451,592</u>

(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⁾			Bond Coverage
						Principal	Interest	Total	
2017	\$	41,486,986	\$	30,609,588	\$ 10,877,398	\$ 3,520,000	\$ 3,529,913	\$ 7,049,913	154.29%
2016		40,791,270		29,796,470	10,994,800	3,425,000	3,628,749	7,053,749	155.87%
2015		40,280,934		29,059,687	11,221,247	3,385,000	3,850,826	7,235,826	155.08%
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%

(1) Nonoperating revenues include payments from vendor contracts and 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
RATIOS OF OUTSTANDING DEBT BY TYPE

Fiscal Year	Total Outstanding Revenue Bonds	Debt as a Percentage of Personal Income (1)	Amount of Debt Per Capita
2017	\$ 86,635,780	0.6%	\$ 187
2016	90,939,331	0.7%	198
2015	94,708,492	0.5%	208
2014	95,049,112	0.6%	211
2013	96,027,807	0.5%	215
2012	102,189,780	0.6%	231
2011	105,111,350	0.7%	239
2010	149,545,627	0.9%	346
2009	152,007,243	0.9%	355
2008	154,424,169	0.9%	365

(1) See Table 8 for personal income and population data.

Table 7

**RIVERSIDE REGIONAL JAIL AUTHORITY
CRATER PLANNING REGION PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Employer	Calendar Year 2016*	Calendar Year 2006*
	Rank	Rank
Chesterfield County School Board	1	1
U.S Department of Defense	2	2
Amazon.com KYDC Inc.	3	-
County of Chesterfield	4	4
Wal-mart	5	3
HCA Virginia Health System	6	7
U.P.S.	7	6
Integrity Staffing Solutions	8	-
E.I. DuPont De Nemours Company	9	5
Anteon Corporation	10	12
Dominion Virginia Power	11	13
Kroger	12	-

*Final Quarter data for most recent calendar year (2016 and 2006)

**The Virginia Employment Commission does not disclose the actual number of employees, due to the Confidential Information Protection and Statistical Efficiency Act - Title V of Public Law 107-347. All Employers have over 1,000 individuals employed.

Source: Virginia Employment Commission

Table 8

RIVERSIDE REGIONAL JAIL AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS - LAST TEN CALENDAR YEARS BY MEMBER JURISDICTION

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
Charles City County	2016	7,071	\$ 49,563	\$ 30,588	4.60%
	2015	7,040	48,088	26,053	5.20%
	2014 *	7,023	48,758	32,411	5.40%
	2013	7,106	48,428	32,205	4.50%
	2012	7,157	48,208	30,265	7.00%
	2011	7,241	47,093	32,500	7.60%
	2010	7,271	46,337	31,576	8.90%
	2009	7,217	49,747	33,028	10.20%
	2008 *	7,212	49,417	32,822	6.20%
	2007 *	7,130	49,087	32,616	5.20%

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
City of Colonial Heights	2016	17,411	\$ 50,304	\$ 33,911	4.60%
	2015	17,820	52,529	28,282	4.70%
	2014 *	17,731	51,110	34,946	4.60%
	2013	17,481	50,835	34,439	5.30%
	2012	17,426	51,612	33,836	6.10%
	2011	17,439	51,396	35,651	6.70%
	2010	17,472	50,571	31,921	7.10%
	2009	17,823	49,734	32,411	8.70%
	2008 *	17,768	49,459	31,904	5.40%
	2007 *	17,756	49,184	31,397	3.60%

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
Chesterfield County	2016	339,009	\$ 72,609	\$ 32,896	4.00%
	2015	335,687	75,514	32,940	4.30%
	2014	332,499	72,878	42,205	5.60%
	2013	327,745	66,881	40,507	6.70%
	2012	323,856	70,243	44,509	7.80%
	2011	320,346	71,110	41,617	6.20%
	2010	317,102	69,149	37,657	6.80%
	2009	306,670	69,922	38,607	7.20%
	2008	303,852	71,148	43,490	4.70%
	2007	299,689	69,409	46,250	2.90%

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
City of Hopewell	2016	22,735	\$ 39,064	\$ 24,944	6.70%
	2015	22,378	39,156	21,041	7.50%
	2014 *	22,196	38,173	27,583	7.00%
	2013	22,346	37,933	27,204	7.70%
	2012	22,492	37,029	26,780	7.70%
	2011	22,562	36,477	26,619	9.00%
	2010	22,562	37,789	26,584	10.80%
	2009	23,137	38,892	25,689	10.50%
	2008 *	23,142	38,652	25,310	7.60%
	2007 *	23,066	38,412	24,931	5.10%

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
City of Petersburg	2016	32,420	\$ 31,798	\$ 24,521	8.00%
	2015	32,477	33,927	18,535	9.00%
	2014 *	32,701	35,092	26,003	8.80%
	2013	32,593	34,424	25,335	8.40%
	2012	32,167	35,126	24,167	9.60%
	2011	32,159	36,289	26,479	10.80%
	2010	32,527	36,449	26,255	11.60%
	2009	32,986	35,874	26,003	14.00%
	2008 *	32,916	35,511	25,335	9.50%
	2007 *	32,907	35,149	24,667	6.40%

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
Surry County	2016	6,544	\$ 53,673	\$ 26,250	5.10%
	2015	6,709	51,527	24,469	5.20%
	2014 *	6,790	48,799	32,906	5.34%
	2013	6,765	47,292	31,995	6.70%
	2012	6,821	52,955	30,901	6.90%
	2011	6,936	53,505	26,103	8.40%
	2010	7,064	55,030	26,161	8.50%
	2009	7,088	53,320	28,350	8.00%
	2008 *	7,128	51,813	27,439	5.50%
	2007 *	7,084	50,306	26,528	3.90%

Jurisdiction	Year	Population	Per Capita		
			Household Income	Personal Income	Unemployment Rate
Prince George County	2016	37,845	\$ 61,857	\$ 39,294	5.10%
	2015 *	37,380	61,071	24,521	5.30%
	2014 *	37,333	63,551	38,870	5.20%
	2013	36,462	63,074	38,141	4.39%
	2012	36,013	63,031	37,272	6.60%
	2011	35,520	62,924	36,730	8.50%
	2010	35,129	64,171	34,835	7.40%
	2009	37,116	66,049	41,057	7.30%
	2008 *	36,089	65,305	40,328	5.00%
	2007 *	35,848	64,561	39,599	3.80%

Data Source: U.S. Department of Commerce, United States Census Bureau

*US Census information not available for this time period, averages of yearly increase were utilized

Table 9

RIVERSIDE REGIONAL JAIL AUTHORITY
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Fiscal Year	Jail Operations Sworn	Civilian	Total
2017	290	64	354
2016	304	60	364
2015	299	61	360
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

TABLE 10

**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	Jail Contract Beds (1)	Total
									Housing and Transportation		
2017	18.62	767.27	147.35	164.74	227.07	87.39	10.27	0.31	68.10	51.51	1,542.63
2016	20.09	700.86	145.43	171.54	225.88	94.45	10.32	0.47	71.97	53.92	1,494.93
2015	16.36	742.69	157.36	180.56	103.46	126.14	14.28	0.30	74.41	45.84	1,461.40
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

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

TABLE 11

**RIVERSIDE REGIONAL JAIL AUTHORITY
CAPITAL ASSETS**

Last Ten Fiscal Years	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Operating Fund</u>										
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
Depreciable capital assets										
Buildings	181,542,686	181,522,435	181,519,235	181,482,748	181,383,359	178,620,415	178,620,416	178,620,416	92,501,315	92,494,284
Furniture and equipment	8,866,511	7,734,026	6,830,539	6,208,719	5,516,234	4,744,669	4,694,812	4,637,719	3,141,597	3,044,437
Computers	1,088,947	844,103	799,700	804,714	736,838	715,909	715,909	715,909	670,415	670,415
Vehicles	771,826	671,887	610,374	564,354	519,787	481,713	483,222	483,222	483,222	442,415
Land improvements	147,591	48,473	34,373	34,373	34,373	1,501				
Total capital assets	192,740,145	191,143,508	190,116,805	189,417,492	188,513,175	184,886,791	184,836,943	184,779,850	172,569,385	120,429,108
Less accumulated depreciation										
Buildings	40,229,296	37,058,850	33,874,783	30,689,778	27,509,871	24,360,942	21,370,295	18,379,647	16,465,489	14,910,168
Furniture and equipment	5,257,800	4,732,081	4,221,399	3,757,461	3,363,632	3,051,758	2,788,284	2,501,771	2,322,995	2,185,977
Computers	819,747	765,815	731,282	722,589	705,953	703,056	687,018	670,980	662,651	656,096
Vehicles	589,148	531,699	482,806	445,250	408,568	425,421	443,259	409,080	370,910	334,676
Land improvements	18,012	9,945	6,875	4,584	2,292					
Accumulated depreciation	46,914,003	43,098,390	39,317,145	35,619,662	31,990,316	28,541,177	25,288,856	21,961,478	19,822,045	18,086,917
Net capital assets	\$ 145,826,142	\$ 148,045,118	\$ 150,799,660	\$ 153,797,830	\$ 156,522,859	\$ 156,345,614	\$ 159,548,087	\$ 162,818,372	\$ 152,747,340	\$ 102,342,191
<u>Canteen Fund</u>										
Depreciable capital assets										
Furniture and equipment	\$ 5,153	\$ 5,153	\$ 5,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Computers	-	1,668	1,668	1,668	22,278	22,278	22,278	22,278	22,278	22,278
Total capital assets	5,153	6,821	6,821	1,668	22,278	22,278	22,278	22,278	22,278	22,278
Less accumulated depreciation										
Furniture and equipment	1,074	558	43	-	-	-	-	-	-	-
Computers	-	1,668	1,668	1,668	22,278	22,278	22,278	22,278	22,278	22,278
Accumulated depreciation	1,074	2,226	1,711	1,668	22,278	22,278	22,278	22,278	22,278	22,278
Net capital assets	4,079	4,595	5,110	-	-	-	-	-	-	-
Total net capital assets	\$ 145,830,221	\$ 148,049,713	\$ 150,804,770	\$ 153,797,830	\$ 156,522,859	\$ 156,345,614	\$ 159,548,087	\$ 162,818,372	\$ 152,747,340	\$ 102,342,191

Table 12

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	7/01/2017	\$ 232,517,830	\$ 5,000
Earthquake	Virginia Municipal Liability Pool	7/01/2017	\$ 10,000,000	\$ 25,000
Flood	Virginia Municipal Liability Pool	7/01/2017	\$ 10,000,000	\$ 25,000
Business Auto	Virginia Municipal Liability Pool	7/01/2017	\$ 1,000,000	1000/1000
Schedule Equipment (Tractor)	Virginia Municipal Liability Pool	7/01/2017	\$ 270,390	\$ 5,000
Boiler and Machinery	Virginia Municipal Liability Pool	7/01/2017	\$ 20,000,000	\$ 1,000
Business Interruption and Extra Expense	Virginia Municipal Liability Pool	7/01/2017	\$ 18,000,000	\$ 5,000
Cyber Liability Coverage	Virginia Municipal Liability Pool	7/01/2017	\$ 1,000,000	N/A
Environmental Impairment Liability	Virginia Municipal Liability Pool	7/01/2017	\$ 1,000,000	\$ 25,000
Local Government & Excess Liability Coverage	Virginia Municipal Liability Pool	7/01/2017	\$ 2,000,000	N/A
Workers' Compensation	Virginia Municipal Liability Pool	7/01/2017	Required statutory limit	
Line of Duty	Virginia Municipal Liability Pool	7/01/2017	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

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, 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, the major fund, and the aggregate remaining fund information of the Riverside Regional Jail Authority (the "Authority"), as of and for the year ended June 30, 2017, 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 29, 2017.

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, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 29, 2017

RIVERSIDE REGIONAL JAIL AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2017

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