WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

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FINANCIAL REPORT

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WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

William Smith, Superintendent

Jail Board Members and Alternates

Locality	Members	Alternates
City of Suffolk	Charles D. Parr, Sr. Michael D. Duman Raleigh H. Isaacs, Sheriff	Anne F. Seward
Isle of Wight	JoAnn W. Hall Byron B. Bailey Mark A. Marshall, Sheriff	W. Douglas Caskey
City of Franklin	Barry W. Cheatham Mona Murphy John B. Stutts, Sheriff	Robert R. Martin

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INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 and the aggregate remaining fund information of Western Tidewater Regional Jail Authority, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, Western Tidewater Regional Jail Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Tidewater Regional Jail Authority's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of Western Tidewater Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Western Tidewater Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 4, 2013

The following discussion and analysis of Western Tidewater Regional Jail Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Authority's net position decreased by approximately $1.8 million or 14.9% during the year ended June 30, 2013 as compared to a decrease of $0.9 million or 7.4% during the year ended June 30, 2012. Operating revenues showed a modest increase during the year, while operating expenses reflected a drastic increase over the prior year.

USING THIS ANNUAL REPORT

The annual report consists of Management's Discussion and Analysis and the basic financial statements including notes that explain in more detail some of the information in the financial statements. This discussion and analysis is intended to serve as an introduction to Western Tidewater Regional Jail Authority's basic financial statements as well as management's examination and analysis of financial condition and performance. Summary financial data, key financial and operational indicators contained in the Authority's budget and other management tools were used for this analysis.

The Authority's financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer both short- and long-range financial information about its activities. The Statement of Net Position includes the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing the rate of return, evaluation of the capital structure and assessing the liquidity and financial flexibility of the Authority. The Statement of Revenues, Expenses and Change in Fund Net Position contains all of the current year's revenues and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its per diem charges and other revenues, 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 and cash payments made by the Authority during the fiscal year. The statement reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from operations, investing and capital and noncapital financing activities, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets. The Notes to 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 Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

FINANCIAL ANALYSIS – ENTERPRISE FUNDS

The Statement of Net Position and Statement of Revenues, Expenses and Change in Fund Net Position report information about the Authority's activities in a way that will help to determine the financial health of the Authority. These two statements report the net position of the Authority and changes to it. The difference between assets, liabilities and deferred inflows/outflows, net position, is one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population and service area growth and new or changed legislation.

FINANCIAL ANALYSIS – ENTERPRISE FUNDS: (CONTINUED)

The Authority's net position decreased from last year by approximately $1.8 million. The analysis below focuses on the change in net position and the resulting changes in assets and liabilities:

	2013	2012	Amount Change	% Change
Current and other assets	$ 2,532,511	$ 3,614,806	$ (1,082,295)	-29.9%
Capital assets	14,634,436	15,567,490	(933,054)	-6.0%
Long-term prepaid	63,393	63,393	-	0.0%
Total assets	$ 17,230,340	$ 19,245,689	$ (2,015,349)	-10.5%
Long-term liabilities	$ 5,137,807	$ 5,555,556	$ (417,749)	-7.52%
Current liabilities	1,961,254	1,787,506	173,748	9.72%
Total liabilities	$ 7,099,061	$ 7,343,062	$ (244,001)	-3.32%
Net position:				
Net investment in capital assets	$ 9,098,531	$ 9,878,700	$ (780,169)	-7.9%
Restricted	442,151	403,319	38,832	9.6%
Unrestricted	590,597	1,620,608	(1,030,011)	-63.6%
Total net position	$ 10,131,279	$ 11,902,627	$ (1,771,348)	-14.9%

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

	2013	2012	Amount Change	% Change
Operating revenues	$ 13,235,702	$ 13,006,881	$ 228,821	1.8%
Operating expenses	14,816,884	13,774,113	1,042,771	7.6%
Net operating income (loss)	$ (1,581,182)	$ (767,232)	$ (813,950)	106.1%
Nonoperating revenues (expenses), net	$ (190,166)	$ (178,137)	$ (12,029)	6.8%
Change in net position	$ (1,771,348)	$ (945,369)	$ (825,979)	87.4%
Net position beginning of year, as restated	11,902,627	12,847,996	(945,369)	-7.4%
Net position, end of year	$ 10,131,279	$ 11,902,627	$ (1,771,348)	-14.9%

Operating revenues increased by 1.8% in 2013 compared to 2012, mainly attributed to an increase of approximately 24% in telephone commissions, 18% in room and board, and 40% in work release and weekender revenue. Although state revenues increased by 5%, they were offset by a 5% decrease in federal revenues. Operating expenses increased by 7.6% compared to 2012, mainly attributable to an increase in employee benefits, hospital/medical expenses, outside services, and depreciation. The Authority did not come in under the 2013 budget.

FINANCIAL ANALYSIS – ENTERPRISE FUNDS: (CONTINUED)

A summary of changes in cash flows is represented in the below condensed statement of cash flows:

	2013	2012	Amount Change	% Change
Cash flows provided by (used for):				
Operating activities	$ (145,266)	$ 820,468	$ (965,734)	-117.7%
Capital and related financing activities	(1,012,205)	(3,422,927)	2,410,722	-70.4%
Investing activities	7,603	991	6,612	667.2%
Net increase (decrease) in cash and cash equivalents	$ (1,149,868)	$ (2,601,468)	$ 1,451,600	-55.8%
Cash and cash equivalents, beginning of year, as restated	2,471,155	5,072,623	(2,601,468)	-51.3%
Cash and cash equivalents, end of year	$ 1,321,287	$ 2,471,155	$ (1,149,868)	-46.5%

Cash flows from operating activities are comprised of operating revenues combined with expenses for personnel, benefits and payments to operating suppliers. There was a significant decrease in cash flows from operating activities between fiscal years 2012 and 2013. The modest increase in revenue was offset by the expenses described above.

Cash flows from capital and related financing activities include the purchase of capital assets and principal and interest payments on debt. There was a positive change in this category due to the current year completion of construction in progress at the beginning of the year.

Cash flows from investing activities include interest and investment earnings. The increase in interest income is related to the closeout of the SNAP accounts as a result of the completion of the construction in progress.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the Authority had $14.6 million invested in capital assets comprised of the land, building, land improvements, machinery, equipment, and office equipment of the regional jail. Although there were additions of $486,467, capital assets decreased by $.9 million during the year due to depreciation expense.

CAPITAL ASSETS AND DEBT ADMINISTRATION: (CONTINUED)

The following table summarizes the Authority's capital assets, net of accumulated depreciation:

	2013	2012
Land	$ 37,455	$ 37,455
Construction in progress	-	3,153,763
Building and improvements	13,700,295	11,674,466
Land improvements	243,686	269,819
Machinery and equipment	640,327	418,063
Office equipment	12,673	13,924
Net capital assets	$ 14,634,436	$ 15,567,490

For additional information related to capital assets, see Note 5.

Capital Financing Debt

At year-end, the Authority had $5.5 million in revenue bonds outstanding due to refinancing the outstanding $2.3 million old debt and funding an additional $3.7 million in new debt to improve the building envelop and fund new equipment badly needed for public and employee safety. In 2013, the Authority acquired a note to finance repairs and equipment. For additional analysis related to long-term debt activities, see Note 8.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information regarding the Authority, contact the Director of Administration at 2402 Godwin Boulevard, Suffolk, Virginia 23434.

Basic Financial Statements

Exhibit 1

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Net Position
As of June 30, 2013

	Operating Fund	Canteen Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 915,913	$ 191,331	$ 1,107,244
Investments	-	214,043	214,043
Accounts receivable	27,808	83,902	111,710
Internal balances	5,313	(899)	4,414
Due from other governmental units	1,032,916	-	1,032,916
Prepaids	62,184	-	62,184
Total current assets	$ 2,044,134	$ 488,377	$ 2,532,511
Noncurrent Assets:			
Long-term prepaid	$ 63,393	$ -	$ 63,393
Capital assets (net of accumulated depreciation):			
Land	37,455	-	37,455
Land improvements	243,686	-	243,686
Building and improvements	13,700,295	-	13,700,295
Machinery and equipment	640,327	-	640,327
Office furniture	12,673	-	12,673
Total capital assets	$ 14,634,436	$ -	$ 14,634,436
Total noncurrent assets	$ 14,697,829	$ -	$ 14,697,829
Total assets	$ 16,741,963	$ 488,377	$ 17,230,340
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 446,890	$ 46,226	$ 493,116
Accrued liabilities	643,079	-	643,079
Accrued interest payable	70,854	-	70,854
Long-term liabilities, current portion	578,332	-	578,332
Unearned revenue	175,873	-	175,873
Total current liabilities	$ 1,915,028	$ 46,226	$ 1,961,254
Noncurrent Liabilities:			
Long-term liabilities, net of current portion	$ 5,137,807	$ -	$ 5,137,807
Total noncurrent liabilities	$ 5,137,807	$ -	$ 5,137,807
Total liabilities	$ 7,052,835	$ 46,226	$ 7,099,061
NET POSITION			
Net investment in capital assets	$ 9,088,436	$ -	$ 9,088,436
Restricted for inmates	-	442,151	442,151
Unrestricted	600,692	-	600,692
Total net position	$ 9,689,128	$ 442,151	$ 10,131,279

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

Exhibit 2

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2013

	Operating Fund	Canteen Fund	Total
Operating Revenues:			
State	$ 4,756,098	$ -	$ 4,756,098
Federal	3,774,744	-	3,774,744
City of Suffolk	2,588,491	-	2,588,491
City of Franklin	570,990	-	570,990
Isle of Wight County	647,123	-	647,123
Telephone commissions	405,313	-	405,313
Room and Board	157,286	-	157,286
Work release and weekenders	88,898	-	88,898
Canteen commissions	-	179,900	179,900
Miscellaneous	66,859	-	66,859
Total operating revenues	$ 13,055,802	$ 179,900	$ 13,235,702
Operating Expenses:			
Personnel costs	$ 5,665,961	$ 30,016	$ 5,695,977
Fringe benefits	2,630,715	20,894	2,651,609
Payroll taxes	458,199	2,055	460,254
Hospital/medical	1,309,019	-	1,309,019
Food purchases and kitchen supplies	896,146	-	896,146
Utilities	1,140,506	-	1,140,506
Repairs and maintenance	494,220	-	494,220
Insurance	100,997	-	100,997
Outside services	203,278	13,434	216,712
Other supplies	110,054	-	110,054
Administrative	138,284	-	138,284
Inmate supplies	41,611	-	41,611
Inmate support	-	75,633	75,633
Uniforms	24,057	-	24,057
Miscellaneous	42,283	-	42,283
Depreciation	1,419,522	-	1,419,522
Total operating expenses	$ 14,674,852	$ 142,032	$ 14,816,884
Net operating income (loss)	$ (1,619,050)	$ 37,868	$ (1,581,182)
Nonoperating Revenues (Expenses):			
Interest income	$ 6,639	$ 964	$ 7,603
Interest expense	(201,920)	-	(201,920)
Gain on disposal of capital assets	4,151	-	4,151
Net nonoperating revenues (expenses)	$ (191,130)	$ 964	$ (190,166)
Change in net position	$ (1,810,180)	$ 38,832	$ (1,771,348)
Net position, beginning of year - as restated	11,499,308	403,319	11,902,627
Net position, end of year	$ 9,689,128	$ 442,151	$ 10,131,279

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

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Statement of Cash Flows
For the Year Ended June 30, 2013

	Operating Fund	Canteen Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 12,948,076	$ 599,730	$ 13,547,806
Other operating revenue	66,859	-	66,859
Payments to suppliers	(4,451,472)	(511,952)	(4,963,424)
Payments to and for employees	(8,285,343)	(52,965)	(8,338,308)
Payments to agencies	(458,199)	-	(458,199)
Total cash flows provided by (used for) operating activities	$ (180,079)	$ 34,813	$ (145,266)
Cash flows from capital and related financing activities:			
Purchase of capital assets	$ (486,467)	$ -	$ (486,467)
Sale of capital assets	4,151	-	4,151
Proceeds from note payable	175,000	-	175,000
Principal paid on long-term liabilties	(506,861)	-	(506,861)
Interest paid on long-term liabilities	(198,028)	-	(198,028)
Total cash flows provided by (used for) capital and related financing activities	$ (1,012,205)	$ -	$ (1,012,205)
Cash flows from investing activities:			
Interest income	$ 6,639	$ 964	$ 7,603
Total cash flows provided by (used for) investing activities	$ 6,639	$ 964	$ 7,603
Net increase (decrease) in cash and cash equivalents	$ (1,185,645)	$ 35,777	$ (1,149,868)
Cash and cash equivalents, beginning of year, as restated	2,101,558	369,597	2,471,155
Cash and cash equivalents, end of year	$ 915,913	$ 405,374	$ 1,321,287
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (1,619,050)	$ 37,868	$ (1,581,182)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	1,419,522	-	1,419,522
Changes in assets and liabilities:			
Accounts receivable	(27,808)	(22,317)	(50,125)
Internal balances	(5,313)	899	(4,414)
Due from other governmental units	(198)	-	(198)
Prepaids	(12,836)	-	(12,836)
Accounts payable	62,557	18,363	80,920
Accrued liabilities	10,595	-	10,595
Unearned revenue	(7,548)	-	(7,548)
Total cash flows provided by (used for) operating activities	$ (180,079)	$ 34,813	$ (145,266)

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

Exhibit 4

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

FIDUCIARY FUNDS

Statement of Fiduciary Net Position
As of June 30, 2013

	Agency Funds		
	Inmate Fund	Work Release Fund	Total
ASSETS			
Cash	$ 112,950	$ 8,934	$ 121,884
LIABILITIES			
Amounts held for inmate benefits	$ 38,341	$ 8,934	$ 47,275
Due from Canteen Fund	74,609	-	74,609
Total liabilities	$ 112,950	$ 8,934	$ 121,884

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

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES:

Western Tidewater Regional Jail Authority (Authority) was created as a political subdivision of the Commonwealth of Virginia jointly by the cities of Suffolk (59.3%), Franklin (6.8%), and the County of Isle of Wight (33.9%), (Member Jurisdictions) under the Jail Authorities Act, Code of Virginia. The Authority has the responsibility to finance the acquisition, construction, equipping, and maintenance of a facility to operate for the benefit of the Member Jurisdictions; as such, it is exempt from federal and state income taxes.

In addition to the Member Jurisdictions' capital contributions of $10.1 million based on their participation percentages, the Commonwealth of Virginia provided $8.8 million of funding for the construction of the facility. The Member Jurisdictions each appoint three members and an alternate to the Board of Directors, which oversees the operations of the Authority.

Facility construction began in March 1991 and the Authority began accepting inmates in July 1992. A new cell block was constructed and placed into service during 2000, which increased the facility rating to 552 beds. The Authority houses prisoners from all three Member Jurisdictions, other jurisdictions and federal prisoners.

Funding for the Authority is provided by the State Compensation Board, the federal government and other jurisdictions. Operational funding surpluses are shared by Member Jurisdictions as they contributed to the construction of the project. Deficiencies are shared by Member Jurisdictions based on the inmate days utilized by each jurisdiction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, net position, revenues, and expenses.

The accrual basis of accounting is followed by the enterprise funds. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. Agency funds are accounted for on an accrual basis.

The various funds are summarized by type in the financial statements. The following are used by the Authority:

Enterprise Funds

Enterprise Funds are used to account for operations which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through charges to those who are provided the services. The Operating Fund and the Canteen Fund comprise the Authority's Enterprise Funds.

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

A. Basis of Accounting (Continued)

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Inmate Fund and the Work Release Fund comprise the Authority's Agency Funds.

B. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

C. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments are stated at cost which approximates fair value. Interest income is recorded when earned. All highly liquid investments with purchased maturities of three months or less are considered to be cash equivalents.

D. Accounts receivable

Accounts receivable are stated at book value. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.

E. Capital Assets

To the extent the Authority's capitalization threshold of $25,000 is met, assets are capitalized and valued at historical costs or, if donated, at estimated fair market value on the date donated. Depreciation is calculated using the straight-line method over estimated useful lives of the assets, as follows:

Building and improvements	10-30 years
Land improvements	30 years
Machinery, equipment, and office furniture	5-15 years

F. Vacation and Sick Pay

Authority employees are granted vacation and sick pay in varying amounts as services are provided. Employees accumulate vacation subject to certain limitations and unused vacation earned may, upon retirement, termination or death, be compensated at specified rates. Eligible employees with five or more consecutive years of vested service with the Authority, who retire or depart from service under favorable conditions, shall be paid for 25% of their sick leave balance, not to exceed a total payment of $2,500. Management has elected to record the amount of sick time required to be paid out for all eligible employees as a liability. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources is accounted for as a liability in the Enterprise Funds. The amount of vacation recognized is the amount earned.

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

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2013.

H. Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

I. Net Position Flow Assumption

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

J. Budgets and Budgetary Accounting

A budget is prepared for informational and fiscal planning purposes. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses. The budget is prepared on the same basis of accounting as the actual amounts in the financial statements.

K. Adoption of Accounting Principles

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

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

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

K. Adoption of Accounting Principles (continued)

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

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was restated as a result of implementing this Statement. Details of the restatement are included in note 15.

L. Upcoming Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority has not determined the impact of this pronouncement on its financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”), Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investment Policy:

In accordance with the Code of Virginia (1950), as amended, and other applicable laws, and regulations, the Authority’s investment policy (Policy) permits investments in United States government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, “prime quality” commercial paper and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, and mutual funds that invest exclusively in securities specifically permitted under the Policy and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

At June 30, 2013, $214,043 of the Authority’s investment balance is in time deposits which carry interest at a rate of .45% with a 15 month maturity. For cash flow purposes these investments are treated as cash and cash equivalents.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS:

Due from Commonwealth of Virginia:	
Compensation Board	382,971
Due from Federal Government:	
US Marshals - Norfolk	577,655
US Marshals - Guard Hours	47,176
US Marshals - Mileage	13,921
US Marshals - Other	4,485
Bureau of Prisons	6,110
Other	598
Total due from other governmental units	$ 1,032,916

NOTE 5 – CAPITAL ASSETS:

The following is a summary of changes in capital assets during the year:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	$ 37,455	$ -	$ -	$ 37,455
Construction in progress	3,153,763	14,056	3,167,819	-
Total capital assets not being depreciated	$ 3,191,218	$ 14,056	$ 3,167,819	$ 37,455
Capital assets being depreciated:				
Building and improvements	$ 25,097,358	$ 3,335,028	$ -	$ 28,432,386
Land improvements	757,863	-	-	757,863
Machinery and equipment	1,156,651	305,202	58,276	1,403,577
Office furniture	75,002	-	-	75,002
Total capital assets being depreciated	$ 27,086,874	$ 3,640,230	$ 58,276	$ 30,668,828
Accumulated depreciation:				
Building and improvements	$ 13,422,892	$ 1,309,199	$ -	$ 14,732,091
Land improvements	488,044	26,133	-	514,177
Machinery and equipment	738,588	82,938	58,276	763,250
Office furniture	61,078	1,251	-	62,329
Total accumulated depreciation	$ 14,710,602	$ 1,419,521	$ 58,276	$ 16,071,847
Total capital assets being depreciated, net	$ 12,376,272	$ 2,220,709	$ -	$ 14,596,981
Net capital assets	$ 15,567,490	$ 2,234,765	$ 3,167,819	$ 14,634,436

Depreciation amounted to $1,419,521 at June 30, 2013.

NOTE 6 - CONTRACT OBLIGATIONS:

The Authority also has a three-year cancelable agreement with Aramark Correction Services, LLC to provide food service for the jail inmates at a cost to the Authority of .905¢ to $1.176 per meal per inmate depending on the number of inmates beginning December 2010, and is renewable by the Authority for two, 24-month extensions. In December 2010, the agreement was extended until December 2013. Per meal prices or each subsequent 12-month period are increased on each anniversary of the Effective Date by the yearly percentage change in CPI-FAH, although price increases shall be capped at 4% per year. Future minimum obligations based on fiscal year 2013 average inmates, for these agreements are as follows:

2014	$ 825,000

NOTE 7 - COMPENSATED ABSENCES:

In accordance with GASB Statement 16, *Accounting for Compensated Absences*, the Authority accrued the liability arising from outstanding compensated absences. The Authority has outstanding vacation and compensation time pay totaling $653,917 at June 30, 2013 and considers the entire amount to be a current liability. Changes in the balance are as follows:

Balance, June 30, 2012	$ 642,584
Increase (Decrease)	11,333
Balance, June 30, 2013	$ 653,917

NOTE 8 - LONG-TERM LIABILITIES:

On May 10, 2011, the Authority issued $2,638,000 of Revenue and Refunding Bonds, Series 2011A and $3,773,000 of Revenue and Refunding Bonds, Series 2011B to refund the Authority's Revenue and Refunding Bonds, Series 2008 and provide funds for capital improvements. Principal payments are to be made in annual installments ranging from $315,000 to $597,000.

On April 30, 2012, the Authority entered into an agreement to finance repairs and equipment to be utilized in the Authority's food service facilities. The agreement was for $175,000 with repayment to be made in 36 equal monthly installments with no interest being charged on the note.

As of June 30, 2013, the Authority's bonds and note payable consisted of the following:

Year Issued	Description	Interest Rate	Amount Outstanding
2011	Revenue and Refunding Bond - Series 2011A	2.930%	2,325,000
2011	Revenue and Refunding Bond - Series 2011B	3.710%	3,723,000
2013	Repairs and Equipment Note Payable	0.000%	170,139

NOTE 8 - LONG-TERM LIABILITIES: (continued)

Following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2013	Amount Due Within One Year
Revenue and refunding bonds	$ 6,048,000	$ -	$ 502,000	$ 5,546,000	$ 520,000
Repairs and equipment note payable	-	175,000	4,861	170,139	58,332
Total long-term liabilities	$ 6,048,000	$ 175,000	$ 506,861	$ 5,716,139	$ 578,332

The annual requirements to amortize bonds and notes payable are as follows:

	Bonds		Note Payable	
June 30,	Principal	Interest	Principal	Interest
2014	$ 520,000	$ 181,568	$ 58,332	$ -
2015	537,000	164,437	58,332	-
2016	556,000	146,712	53,475	-
2017	568,000	128,487	-	-
2018	580,000	109,890	-	-
2019-2023	1,797,000	326,200	-	-
2024-2026	988,000	55,909	-	-
Totals	$ 5,546,000	$ 1,113,203	$ 170,139	$ -

NOTE 9 – DEFINED BENEFIT PENSION PLAN:

A. **Plan Description:**

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN: (continued)

A. Plan Description: (continued)

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLAN: (continued)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended June 30, 2013 was 15.73% of annual covered payroll.

C. Annual Pension Cost:

For fiscal year 2013, the Authority's annual pension cost of $965,156 (does not include a portion of the employee share assumed by the Authority which was $235,831) was equal to the Authority's required and actual contributions. Employee contributions were in the amount of $67,973 for fiscal year 2013.

Three-Year Trend Information for the Authority

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 965,156	100%	$ -
June 30, 2012	1,068,652	100%	-
June 30, 2011	1,012,789	100%	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTE 9 – DEFINED BENEFIT PENSION PLAN: (continued)

D. Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 80.18% funded. The actuarial accrued liability for benefits was $20,084,472, and the actuarial value of assets was $16,103,479, resulting in an unfunded actuarial accrued liability (UAAL) of $3,980,993. The covered payroll (annual payroll of active employees covered by the plan) was $6,196,733, and ratio of the UAAL to the covered payroll was 64.24%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 10 - DEFERRED COMPENSATION PLAN:

The Authority provides an approved deferred compensation plan (Plan) under Section 457 of the Internal Revenue Code. All Authority employees are eligible to participate and may elect to defer up to 25% of their gross income up to a maximum of $15,000 per year for employees under 50 years of age and $20,000 for employees 50 or older. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the Plan are administered by a third-party administrator, ICMA Retirement Corporation.

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 in compliance with governmental accounting standards for deferred compensation plans.

NOTE 11 - CONTINGENCIES:

The Authority is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the disposition of these claims will not have a material adverse impact on the Authority.

NOTE 12 – ECONOMIC DEPENDENCE:

The majority of operating revenues are received from the federal government and the State of Virginia.

NOTE 13 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries insurance. The Authority continues to carry commercial insurance for risks of losses. For the previous three fiscal years, settled claims from these risks have not exceeded commercial coverage.

NOTE 14 – INTERNAL BALANCES:

Internal balances consist of amounts due from the canteen fund to the operating fund at year-end. Monthly support payments are made to reimburse the operating fund for salaries and related expenses. The net amount represents the final payment for fiscal year 2013.

NOTE 15 – UNEARNED REVENUE:

The Authority receives a $360,000 payment for telephone commission in February of each year. Each month, this amount is adjusted to reflect the revenue earned with a true-up of total commissions done each February. Unearned revenue related to telephone commission was $175,873 at June 30, 2013.

NOTE 16 – RESTATEMENT OF NET POSITION:

As a result of the implementation of GASB Statement Number 65 and the correction of an error, beginning net position was restated as follows:

	Operating Fund	Canteen Fund	Total
Net Position July 1, 2012	$ 11,521,626	$ 403,319	$ 11,924,945
Write-off of bond issuance costs (GASB 65)	(68,351)	-	(68,351)
Unearned revenue adjustment	45,833	-	45,833
Petty cash	200	-	200
Net Position as restated July 1, 2012	$ 11,499,308	$ 403,319	$ 11,902,627

- Required Supplementary Information -

Exhibit 5

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

Schedule of Pension Funding Progress for the Virginia Retirement System

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability (AAL) (b)		Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2012	$	16,103,479	$	20,084,472	$	3,980,993	80.18%	$	6,196,733	64.24%
June 30, 2011		15,452,120		18,873,691		3,421,571	81.87%		6,233,361	54.89%
June 30, 2010		14,347,803		17,280,312		2,932,509	83.03%		6,074,520	48.28%
June 30, 2009		13,607,135		14,471,636		864,501	94.03%		5,872,769	14.72%
June 30, 2008		12,742,879		13,385,317		642,438	95.20%		5,272,506	12.18%

- Other Supplementary Information -

WESTERN TIDEWATER REGIONAL JAIL AUTHORITY

AGENCY FUNDS

Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Inmate Fund				
Assets:				
Cash	$ 70,605	$ 1,211,862	$ 1,169,517	$ 112,950
Liabilities:				
Amounts held for inmate benefits	$ 9,020	$ 1,137,253	$ 1,107,932	$ 38,341
Due to Canteen Fund	61,585	74,609	61,585	74,609
Total liabilities	$ 70,605	$ 1,211,862	$ 1,169,517	$ 112,950
Work Release Fund				
Assets:				
Cash	$ 24,355	$ 195,639	$ 211,060	$ 8,934
Liabilities:				
Amounts held for inmate benefits	$ 24,355	$ 195,639	$ 211,060	$ 8,934
TOTALS:				
Assets:				
Cash	$ 94,960	$ 1,407,501	$ 1,380,577	$ 121,884
Liabilities:				
Amounts held for inmate benefits	$ 33,375	$ 1,332,892	$ 1,318,992	$ 47,275
Due to Canteen Fund	61,585	74,609	61,585	74,609
Total liabilities	$ 94,960	$ 1,407,501	$ 1,380,577	$ 121,884

- Compliance -

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

BOARD OF DIRECTORS
WESTERN TIDEWATER REGIONAL JAIL AUTHORITY
SUFFOLK, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and aggregate remaining fund information of Western Tidewater Regional Jail Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Western Tidewater Regional Jail Authority's basic financial statements and have issued our report thereon dated November 4, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 4, 2013