

---

**NEW RIVER VALLEY REGIONAL JAIL AUTHORITY**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2006**

---

**NEW RIVER VALLEY REGIONAL JAIL AUTHORITY  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2006**

---

**TABLE OF CONTENTS**

---

**FINANCIAL SECTION**

---

	<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report .....		1-2
 <b>Basic Financial Statements:</b>		
Government-Wide Financial Statements:		
Statement of Net Assets .....	1	3
Statement of Activities .....	2	4
Fund Financial Statements:		
Balance Sheet – Governmental Funds .....	3	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	4	6
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds .....	5	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	6	8
Statement of Fiduciary Net Assets – Agency Funds .....	7	9
Notes to Financial Statements .....		10-22
 <b>Required Supplementary Information:</b>		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual:		
General Fund .....	8	23-24
 <b>Other Supplementary Information:</b>		
Combining Balance Sheet – Non-major Governmental Funds .....	9	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	10	26

---

**COMPLIANCE SECTION**

---

**Compliance:**

Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....		27
---	--	----

---

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

## Independent Auditors' Report

---

**To the Members of  
The New River Valley Regional Jail Authority  
Dublin, Virginia**

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the New River Valley Regional Jail Authority, as of and for the year ended June 30, 2006, which collectively comprise the entity's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New River Valley Regional Jail Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the New River Valley Regional Jail Authority, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006 on our consideration of the New River Valley Regional Jail Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has elected not to present a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia

July 27, 2006

---

## **Basic Financial Statements**

---

New River Valley Regional Jail Authority  
Statement of Net Assets  
June 30, 2006

		Primary Government Governmental Activities
<b>ASSETS</b>		
Cash and cash equivalents	\$	2,509,818
Cash and cash equivalents with trustee - restricted		3,122,314
Accounts receivable		570,137
Due from governmental units		748,222
Deferred charges		402,006
Capital assets (net of accumulated depreciation):		
Land		162,240
Buildings and system		22,936,749
Machinery and equipment		1,891,048
Total assets	\$	32,342,534
<b>LIABILITIES</b>		
Accounts payable	\$	46,126
Accrued interest payable		241,992
Noncurrent liabilities:		
Due within one year		1,262,324
Due in more than one year		18,079,200
Total liabilities	\$	19,629,642
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$	5,715,037
Restricted for debt service		3,122,314
Unrestricted		3,875,541
Total net assets	\$	12,712,892

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

New River Valley Regional Jail Authority  
Statement of Activities  
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Regional Jail Authority Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental activities:					
Public safety	\$ 9,778,468	\$ 5,097,664	\$ 5,967,753	\$ -	\$ 1,286,949
Interest on long-term debt	1,061,452	-	-	-	(1,061,452)
Total government activities	<u>\$ 10,839,920</u>	<u>\$ 5,097,664</u>	<u>\$ 5,967,753</u>	<u>\$ -</u>	<u>\$ 225,497</u>
<b>Total</b>	<u>\$ 10,839,920</u>	<u>\$ 5,097,664</u>	<u>\$ 5,967,753</u>	<u>\$ -</u>	<u>\$ 225,497</u>
General revenues:					
Unrestricted revenues from use of money and property				\$	215,681
Miscellaneous					328,942
Gain on sale of capital assets					7,885
Total general revenues				<u>\$</u>	<u>552,508</u>
Change in net assets				\$	778,005
Net assets - beginning					11,934,887
Net assets - ending				<u>\$</u>	<u>12,712,892</u>

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

**New River Valley Regional Jail Authority  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2006**

ASSETS				
	General	Debt Service	Other Governmental Funds	Total
Current assets:				
Cash and cash equivalents	\$ 2,495,577	\$ -	\$ 14,241	\$ 2,509,818
Cash and cash equivalents with trustee - restricted	-	3,122,314	-	3,122,314
Accounts receivable	567,647	-	2,490	570,137
Due from other governmental units	748,222	-	-	748,222
	<u>3,811,446</u>	<u>3,122,314</u>	<u>16,731</u>	<u>6,950,491</u>
Total assets	\$ <u>3,811,446</u>	\$ <u>3,122,314</u>	\$ <u>16,731</u>	\$ <u>6,950,491</u>
LIABILITIES AND FUND BALANCE				
Current liabilities:				
Accounts payable	\$ 46,126	\$ -	\$ -	\$ 46,126
	<u>46,126</u>	<u>-</u>	<u>-</u>	<u>46,126</u>
Total liabilities	\$ <u>46,126</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>46,126</u>
Fund balance:				
Reserved:				
Reserved for debt service	\$ -	\$ 3,122,314	\$ -	\$ 3,122,314
Unreserved:				
Designated for future expenditure	-	-	16,731	16,731
Undesignated	3,765,320	-	-	3,765,320
	<u>3,765,320</u>	<u>-</u>	<u>16,731</u>	<u>3,765,320</u>
Total fund balance	\$ <u>3,765,320</u>	\$ <u>3,122,314</u>	\$ <u>16,731</u>	\$ <u>6,904,365</u>
Total liabilities and fund balance	\$ <u>3,811,446</u>	\$ <u>3,122,314</u>	\$ <u>16,731</u>	\$ <u>6,950,491</u>

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

**New River Valley Regional Jail Authority**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2006**

---

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet	\$ 6,904,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,990,037
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	402,006
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(19,583,516)</u>
Net assets of governmental activities	<u>\$ 12,712,892</u>

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

**New River Valley Regional Jail Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General	Debt Service	Other Governmental Funds	Total
<b>Revenues:</b>				
Revenue from use of money and property	\$ 77,919	\$ 137,762	\$ -	\$ 215,681
Charges for services	5,045,849	-	51,815	5,097,664
Telephone commissions	263,549	-	-	263,549
Recovered costs	72,014	-	-	72,014
Miscellaneous	65,393	-	-	65,393
Intergovernmental	5,286,103	-	681,650	5,967,753
<b>Total revenues</b>	<b>\$ 10,810,827</b>	<b>\$ 137,762</b>	<b>\$ 733,465</b>	<b>\$ 11,682,054</b>
<b>Expenditures:</b>				
<b>Public Safety:</b>				
Employee costs	\$ 5,730,165	\$ -	\$ 557,274	\$ 6,287,439
Medical costs	770,260	-	-	770,260
Building costs	578,430	-	-	578,430
Administrative costs	37,113	-	-	37,113
Service contract/treatment costs	127,204	-	4,207	131,411
Telecommunications costs	72,193	-	-	72,193
Vehicle/equipment costs	209,143	-	34,034	243,177
Inmate services costs	641,954	-	-	641,954
Custodial costs	31,519	-	-	31,519
Travel costs	1,166	-	18,949	20,115
Training and operational costs	34,809	-	80,734	115,543
Miscellaneous	10,241	-	6,382	16,623
Professional Fees Jail Expansion	64,950	-	-	64,950
Repayment of grant funds	-	-	50,116	50,116
<b>Debt Service:</b>				
Principal	-	945,000	-	945,000
Interest	-	989,940	-	989,940
<b>Total expenditures</b>	<b>\$ 8,309,147</b>	<b>\$ 1,934,940</b>	<b>\$ 751,696</b>	<b>\$ 10,995,783</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 2,501,680</b>	<b>\$ (1,797,178)</b>	<b>\$ (18,231)</b>	<b>\$ 686,271</b>
<b>Other financing sources (uses):</b>				
Transfers from (to) other funds (net)	\$ (1,682,176)	\$ 1,706,864	\$ (24,688)	\$ -
<b>Net change in fund balance</b>	<b>\$ 819,504</b>	<b>\$ (90,314)</b>	<b>\$ (42,919)</b>	<b>\$ 686,271</b>
<b>Fund balance, beginning of year</b>	<b>2,945,816</b>	<b>3,212,628</b>	<b>59,650</b>	<b>6,218,094</b>
<b>Fund balance, end of year</b>	<b>\$ 3,765,320</b>	<b>\$ 3,122,314</b>	<b>\$ 16,731</b>	<b>\$ 6,904,365</b>

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

**New River Valley Regional Jail Authority**  
**Reconciliation of Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2006**

---

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	686,271
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital asset purchases in the current period.		(758,572)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		862,502
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		<u>(12,196)</u>
Change in net assets of governmental activities	\$	<u><u>778,005</u></u>

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

## New River Valley Regional Jail Authority

## Statement of Fiduciary Net Assets

Agency Funds  
June 30, 2006

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 57,216
Due from others	<u>12,124</u>
Total assets	<u>\$ 69,340</u>
<b>LIABILITIES</b>	
Amounts held for inmate benefits	<u>69,340</u>
Total liabilities	<u><u>\$ 69,340</u></u>

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

---

**Note 1-Summary of Significant Accounting Policies:**

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

A. Reporting Entity

The Authority was created by concurrent resolutions of the Counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski, Wythe and the City of Radford. The Authority was created under the provisions of Title 53.1, Chapter 3, Articles 3.1 and 5 of the *Code of Virginia 1950, as amended*. The Authority was created to construct and operate a jail facility for the participating jurisdictions.

The Authority does not have any component units. In addition, the Jail is not considered a component unit of any of the participating jurisdictions.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority (primary government). For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are other charges between the Authority's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 1-Summary of Significant Accounting Policies: (continued)**

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

The Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Authority reports the following non-major governmental funds:

The Home Electronic Monitoring Fund accounts for financial resources of the Home Electronic Monitoring Program.

The Community Corrections/Pretrial Services Fund accounts for financial resources of the Community Correction and Pretrial Services grant programs

Additionally, the Authority reports the following fund types:

Fiduciary funds account for assets held by the Authority in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Commissary Fund and the Inmate Trust Fund.

**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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

Investments for the Authority are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. *Allowance for Un-collectible Accounts*

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts by posting same to the allowance for doubtful accounts. At year end, the allowance for doubtful accounts carried a balance of \$14,955. No accounts were deemed uncollectible during the fiscal year.

4. *Use of Estimates*

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

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, liabilities, and net assets or equity (continued)

5. *Capital assets – continued*

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Machinery and equipment	5-10

6. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Authority accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements.

7. *Restricted Assets*

Certain proceeds of the Authority's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The revenue bond payment accounts are used to segregate resources accumulated for debt service payments over the next twelve months. The "debt service reserve" is used to report resources set aside to make up potential future deficiencies in the revenue bond payment account.

8. *Long-term obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 1-Summary of Significant Accounting Policies: (continued)**

E. Assets, liabilities, and net assets or equity (continued)

8. *Long-term obligations - continued*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

9. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. *Net Assets*

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this \$(19,583,516) difference for the primary government are as follows:

	<u>Primary Government</u>
Bonds (net of unamortized discount)	\$ 19,040,161
Accrued interest payable	241,992
Compensated absences	<u>301,363</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 19,583,516</u>

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(758,572) are as follows:

	Primary Government
Capital outlays	\$ 154,281
Disposal of assets (net of accumulated depreciation)	(10,939)
Depreciation expense	<u>(901,914)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(758,572)</u>

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$862,502 difference in the primary government are as follows:

	Primary Government
Principal payments on bonds	\$ 945,000
Deferred charge for issuance costs (to be amortized over the life of debt)	(52,077)
Issuance Discount (to be amortized as interest expense)	<u>(30,421)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>862,502</u>

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. (continued)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this (\$12,196) difference for the primary government are as follows:

	<u>Primary Government</u>
Compensated absences	\$ (23,182)
Accrued interest	<u>10,986</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(12,196)</u>

**Note 3-Deposits and Investments:**

**Deposits**

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

**Investments**

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

**Note 3-Deposits and Investments: (Continued)**

**Credit Risk of Debt Securities**

The Authority's rated debt investments as of June 30, 2006 were rated by Standards and Poor's and the ratings are presented below using Standard and Poor's rating scale.

<b>Rated Debt Investments</b>	<b>Rated Debt Investments' Values</b>			
	<b>Fair Quality Ratings</b>			
	<b>AAAm</b>	<b>AAm</b>	<b>A</b>	<b>Unrated</b>
STI Classic US Treasury Money Market Fund	\$ -	\$ 1,162,387	-	-
Morgan Guaranty Trust				1,959,927
Local Government Investment Pool	1,885,201	-	-	-
<b>Total</b>	<b>\$ 1,885,201</b>	<b>\$ 1,162,387</b>	<b>\$ -</b>	<b>1,959,927</b>

**External Investment Pools**

The fair value of the positions in the external investment pool (Local Government Investment Pool) are the same as the value of the pool shares. The Local Government Investment Pool (LGIP) is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

**Note 4-Due from Other Governmental Units:**

The following amount represents payments due from other governmental units at year end:

	<u>Amount Due</u>
<u>Commonwealth of Virginia:</u>	
Categorical aid	\$ <u>748,222</u>

*This space left blank intentionally*

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 5-Long-Term Debt:**

**Primary Government - Governmental Activity Indebtedness:**

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 990,000	\$ 944,951
2008	1,035,000	897,611
2009	1,085,000	847,248
2010	1,135,000	793,401
2011	1,190,000	735,843
2012	1,250,000	674,843
2013	1,315,000	610,718
2014	1,380,000	542,481
2015	1,450,000	469,962
2016	1,525,000	393,728
2017	1,605,000	313,521
2018	1,685,000	229,215
2019	1,770,000	140,681
2020	1,860,000	47,662
Totals	\$ 19,275,000	\$ 7,641,865

The following is a summary of long-term debt transactions of the Authority for the year ended June 30, 2006.

	<u>Balance July 1, 2005</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>
Revenue bonds	\$ 20,220,000	\$	\$ (945,000)	\$ 19,275,000
Compensated absences	278,181	234,600	(211,418)	301,363
Total	\$ 20,498,181	\$ 234,600	\$ (1,156,418)	\$ 19,576,363

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

**Note 5-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bond:		
\$ 24,375,000 in revenue bonds issued November 1, 1997, with interest due semiannually on October 1 and April 1 until maturity on October 1, 2019. Interest accrues at rates varying from 4.15% to 5.125%. Principal payments varying from \$905,000 to \$1,860,000 are due annually through October 1, 2019.	\$ 19,275,000	\$ 990,000
Less: unamortized portion of the original issue discount	<u>(234,839)</u>	<u>(29,039)</u>
	19,040,161	960,961
Other Obligation:		
Compensated absences	\$ <u>301,363</u>	\$ <u>301,363</u>
Total Loan-term obligations	\$ <u>19,341,524</u>	\$ <u>1,262,324</u>

**Note 6-Employee Retirement System and Pension Plans:**

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. 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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 6-Employee Retirement System and Pension Plans: (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 annual salary to the VRS. The employer may assume this 5% 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 2006 was 11.25% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2006, Authority's annual pension cost of \$490,409 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included 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 payroll on an open basis within a period of 30 years or less.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
6/30/2003	360,484	100.00%	\$ -
6/30/2004	365,613	100.00%	-
6/30/2005	459,484	100.00%	-
6/30/2006	490,409	100.00%	

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

**Note 6-Employee Retirement System and Pension Plans: (continued)**

C. Annual Pension Cost (continued)

Schedule of Funding Progress

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
6/30/2005	\$ 3,082,808	\$ 4,242,443	\$ 1,159,635	72.67%	\$ 4,195,695	27.64%
6/30/2004	2,395,779	3,471,700	1,075,921	69.01%	4,024,203	26.74%
6/30/2003	1,738,061	2,852,285	1,114,224	60.94%	3,901,327	28.56%
6/30/2002	1,027,439	945,657	(81,782)	108.65%	3,390,431	-2.41%
6/30/2001	645,789	541,088	(104,701)	119.35%	2,893,100	-3.62%

**Note 7-Capital Assets:**

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 162,240	\$ -	\$ -	\$ 162,240
Total capital assets not being depreciated	\$ 162,240	\$ -	\$ -	\$ 162,240
Capital assets, being depreciated:				
Buildings	\$ 27,806,734	\$ -	\$ -	\$ 27,806,734
Machinery and equipment	3,091,882	154,281	(19,927)	3,226,236
Total capital assets being depreciated	\$ 30,898,616	\$ 154,281	\$ (19,927)	\$ 31,032,970
Less: accumulated depreciation for:				
Buildings	\$ (4,174,817)	\$ (695,168)	\$ -	\$ (4,869,985)
Machinery and equipment	(1,137,430)	(206,746)	8,988	(1,335,188)
Total accumulated depreciation	\$ (5,312,247)	\$ (901,914)	\$ 8,988	\$ (6,205,173)
Total capital assets being depreciated, net	\$ 25,586,369	\$ (747,633)	\$ (10,939)	\$ 24,827,797
Governmental activities capital assets, net	\$ 25,748,609	\$ (747,633)	\$ (10,939)	\$ 24,990,037

All depreciation expense was charged to the public safety function in the Statement of Activities.

**New River Valley Regional Jail Authority**  
**Notes to the Financial Statements**  
**For the year ended June 30, 2006**

---

**Note 8-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. The Authority participates with other government entities in a public entity risk pool for their coverage of liability, building, property, and auto insurance through the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Virginia Municipal Group contributions and assessments based upon classifications and rates, into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims have not exceeded pool coverage in any of the past three fiscal years.

**Note 9-Compensated Absences:**

Authority employees earn vacation and sick leave each month at a scheduled rate in accordance with years of service, accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. At June 30, the liability for accrued leave totaled \$301,363.

---

**Required Supplementary Information**

---

## New River Valley Regional Jail Authority

Schedule of Revenues, Expenditures and Changes in Fund Balance -- General Fund  
Budget and Actual  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	\$ 85,400	\$ 85,400	\$ 57,461	\$ (27,939)
Carroll County	535,400	535,400	534,353	(1,047)
Giles County	365,300	365,300	397,484	32,184
Grayson County	361,000	361,000	340,382	(20,618)
Floyd County	181,200	181,200	140,671	(40,529)
Pulaski County	1,128,100	1,128,100	1,398,100	270,000
City of Radford	244,600	244,600	368,979	124,379
Wythe County	788,000	788,000	736,544	(51,456)
Charges to other localities/entities	135,000	135,000	28,231	(106,769)
U.S. Marshall Fixed Contract	841,000	841,000	1,036,644	195,644
Work release program	17,000	17,000	24,601	7,601
Interest income	15,000	15,000	77,919	62,919
Inmate telephone income	145,000	145,000	263,549	118,549
Live scan program	10,000	10,000	7,000	(3,000)
Inmate cost recovery	17,000	17,000	47,413	30,413
Miscellaneous income	40,000	40,000	65,393	25,393
Total revenue from local sources	<u>\$ 4,909,000</u>	<u>\$ 4,909,000</u>	<u>\$ 5,524,724</u>	<u>\$ 615,724</u>
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and wages	\$ 4,155,000	\$ 4,155,000	\$ 4,164,718	\$ 9,718
State per diem payments	1,200,000	1,200,000	1,121,385	(78,615)
Total revenue from the Commonwealth	<u>\$ 5,355,000</u>	<u>\$ 5,355,000</u>	<u>\$ 5,286,103</u>	<u>\$ (68,897)</u>
Total operating revenues	<u>\$ 10,264,000</u>	<u>\$ 10,264,000</u>	<u>\$ 10,810,827</u>	<u>\$ 546,827</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances -- General Fund  
Budget and Actual  
Year Ended June 30, 2006 (Continued)

	Adjusted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Employee costs	\$ 5,794,300	\$ 5,794,300	\$ 5,730,165	\$ 64,135
Medical costs	807,900	807,900	770,260	37,640
Building costs	474,100	474,100	578,430	(104,330)
Administrative costs	52,130	52,130	37,113	15,017
Service contract/treatment costs	140,170	140,170	127,204	12,966
Telecommunications costs	65,800	65,800	72,193	(6,393)
Vehicle/equipment costs	165,850	165,850	209,143	(43,293)
Inmate services costs	591,950	591,950	641,954	(50,004)
Custodial costs	18,200	18,200	31,519	(13,319)
Travel costs	3,500	3,500	1,166	2,334
Training and operational costs	33,500	33,500	34,809	(1,309)
Miscellaneous	-	-	10,241	(10,241)
Professional Fees Jail Expansion	-	-	64,950	(64,950)
	<u>\$ 8,147,400</u>	<u>\$ 8,147,400</u>	<u>\$ 8,309,147</u>	<u>\$ (161,747)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>\$ 2,116,600</u>	<u>\$ 2,116,600</u>	<u>\$ 2,501,680</u>	<u>\$ 385,080</u>
Other financing sources (uses)				
Transfers to other funds	<u>\$ (1,925,700)</u>	<u>\$ (1,925,700)</u>	<u>\$ (1,682,176)</u>	<u>\$ 243,524</u>
Net change in fund balance	\$ 190,900	\$ 190,900	\$ 819,504	\$ 628,604
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>2,945,816</u>	<u>2,945,816</u>
Fund balance, end of year	<u>\$ 190,900</u>	<u>\$ 190,900</u>	<u>\$ 3,765,320</u>	<u>\$ 3,574,420</u>

---

**Other Supplementary Information**

---

## New River Valley Regional Jail Authority

Combining Balance Sheet  
 Non-major Special Revenue Funds  
 June 30, 2006

	<u>Home Electronic Monitoring</u>	<u>Community Corrections/ Pretrial Services</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 400	\$ 13,841	\$ 14,241
Receivables (net of allowance for uncollectibles):			
Accounts receivable	<u>2,490</u>	<u>-</u>	<u>2,490</u>
Total assets	<u>\$ 2,890</u>	<u>\$ 13,841</u>	<u>\$ 16,731</u>
<b>FUND BALANCES</b>			
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	<u>\$ 2,890</u>	<u>\$ 13,841</u>	<u>\$ 16,731</u>
Total liabilities and fund balances	<u>\$ 2,890</u>	<u>\$ 13,841</u>	<u>\$ 16,731</u>

## New River Valley Regional Jail Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Non-major Special Revenue Funds  
 For the Year Ended June 30, 2006

	<u>Home Electronic Monitoring</u>	<u>Community Corrections/ Pretrial Services</u>	<u>Total</u>
<b>Revenues:</b>			
<b>Revenue from local sources:</b>			
Charges for services	\$ 51,815	\$ -	\$ 51,815
Total revenue from local sources	\$ 51,815	\$ -	\$ 51,815
<b>Revenue from the Commonwealth:</b>			
<b>Categorical aid:</b>			
Community Corrections/Pretrial Grants	\$ -	\$ 681,650	\$ 681,650
<b>Total revenue</b>	\$ 51,815	\$ 681,650	\$ 733,465
<b>Expenditures:</b>			
Employee costs	\$ -	\$ 557,274	\$ 557,274
Consultants/treatment	-	4,207	4,207
Equipment costs	-	34,034	34,034
Travel costs	-	18,949	18,949
Training and operational costs	25,277	55,457	80,734
Miscellaneous	-	6,382	6,382
Repayment of grant funds	-	50,116	50,116
	\$ 25,277	\$ 726,419	\$ 751,696
<b>Excess (deficiency) of revenues over expenditures</b>	\$ 26,538	\$ (44,769)	\$ (18,231)
Transfers to other funds	\$ (24,688)	\$ -	\$ (24,688)
<b>Net change in fund balances</b>	\$ 1,850	\$ (44,769)	\$ (42,919)
Fund balance, beginning of year	1,040	58,610	59,650
<b>Fund balance, end of year</b>	\$ 2,890	\$ 13,841	\$ 16,731

---

---

**Compliance Section**

---

---

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of  
The New River Valley Regional Jail Authority  
Dublin, Virginia

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the New River Valley Regional Jail Authority, as of and for the year ended June 30, 2006, which collectively comprise the New River Valley Regional Jail Authority's basic financial statements and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the New River Valley Regional Jail Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the New River Valley 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*.

However, we noted certain matters that we reported to the management of the New River Valley Regional Jail Authority in a separate letter dated July 27, 2006.

This report is intended solely for the information and use of the Board of Directors, management and it is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
July 27, 2006