

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007

**NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007**

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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, 2007, 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, Board 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, 2007, 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 January 9, 2008, 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 not presented 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 (required supplementary information) 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 inquires 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, Co. Associates

Christiansburg, Virginia

January 9, 2008

Basic Financial Statements

New River Valley Regional Jail Authority
Statement of Net Assets
June 30, 2007

		Primary Government
		Governmental Activities
ASSETS		
Cash and cash equivalents	\$	3,627,073
Cash and cash equivalents with trustee - restricted		2,926,659
Accounts receivable		574,529
Due from governmental units		938,925
Deferred charges		352,296
Capital assets (net of accumulated depreciation):		
Land		162,240
Buildings and system		22,241,578
Machinery and equipment		1,678,257
Total assets	\$	32,501,557
LIABILITIES		
Accounts payable	\$	133,912
Accrued interest payable		230,483
Noncurrent liabilities:		
Due within one year		1,302,097
Due in more than one year		17,170,011
Total liabilities	\$	18,836,503
NET ASSETS		
Invested in capital assets, net of related debt	\$	5,797,075
Restricted for debt service		2,926,659
Unrestricted		4,941,320
Total net assets	\$	13,665,054

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, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Regional Jail Authority Governmental Activities
Functions/Programs					
Primary Governmental:					
Governmental activities:					
Public safety	\$ 10,886,077	\$ 5,050,675	\$ 7,127,632	\$ -	\$ 1,292,230
Interest on long-term debt	1,012,191	-	-	-	(1,012,191)
Total governmental activities	\$ 11,898,268	\$ 5,050,675	\$ 7,127,632	\$ -	\$ 280,039
Total	\$ 11,898,268	\$ 5,050,675	\$ 7,127,632	\$ -	\$ 280,039
General revenues:					
Unrestricted revenues from use of money and property					\$ 286,283
Miscellaneous					385,840
Total general revenues					672,123
Change in net assets					952,162
Net assets - beginning					12,712,892
Net assets - ending					13,665,054

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, 2007

ASSETS	General	Debt Service	Jail Expansion Fund	Other Governmental Funds	Total
Current assets:					
Cash and cash equivalents	\$ 3,570,039	\$ -	\$ 18,397	\$ 38,637	\$ 3,627,073
Cash and cash equivalents with trustee - restricted	-	2,926,659	-	-	2,926,659
Accounts receivable	573,744	-	-	785	574,529
Due from other governmental units	938,925	-	-	-	938,925
Total assets	\$ 5,082,708	\$ 2,926,659	\$ 18,397	\$ 39,422	\$ 8,067,186
LIABILITIES AND FUND BALANCE					
Current liabilities:					
Accounts payable	\$ 133,912	\$ -	\$ -	\$ -	\$ 133,912
Total liabilities	\$ 133,912	\$ -	\$ -	\$ -	\$ 133,912
Fund balance:					
Reserved:					
Reserved for debt service	\$ -	\$ 2,926,659	\$ 18,397	\$ -	\$ 2,945,056
Unreserved:					
Designated for future expenditure	-	-	-	39,422	39,422
Undesignated	4,948,796	-	-	-	4,948,796
Total fund balance	\$ 4,948,796	\$ 2,926,659	\$ 18,397	\$ 39,422	\$ 7,933,274
Total liabilities and fund balance	\$ 5,082,708	\$ 2,926,659	\$ 18,397	\$ 39,422	\$ 8,067,186

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, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet	\$ 7,933,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,082,075
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	352,296
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(18,702,591)</u>
Net assets of governmental activities	<u>\$ 13,665,054</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, 2007

	General	Debt Service	Jail Expansion Fund	Other Governmental Funds	Total
Revenues:					
Revenue from use of money and property	\$ 142,758	\$ 143,491	\$ 34	\$ -	\$ 286,283
Charges for services	4,966,330	-	-	84,345	5,050,675
Telephone commissions	243,619	-	-	-	243,619
Recovered costs	69,134	-	-	-	69,134
Miscellaneous	142,221	-	-	-	142,221
Intergovernmental	6,430,148	-	-	697,484	7,127,632
Total revenues	\$ 11,994,210	\$ 143,491	\$ 34	\$ 781,829	\$ 12,919,564
Expenditures:					
Public Safety:					
Employee costs	\$ 6,368,774	\$ -	\$ -	\$ 564,446	\$ 6,933,220
Medical costs	1,070,111	-	-	-	1,070,111
Building costs	589,200	-	-	-	589,200
Administrative costs	45,064	-	1,545	-	46,609
Service contract/treatment costs	157,560	-	-	1,228	158,788
Telecommunications costs	57,710	-	-	-	57,710
Vehicle/equipment costs	100,355	-	-	12,040	112,395
Inmate services costs	678,761	-	-	-	678,761
Custodial costs	39,708	-	-	-	39,708
Travel costs	16,591	-	-	26,889	43,480
Training and operational costs	63,872	-	-	99,603	163,475
Miscellaneous costs	-	-	67	7,130	7,197
Professional Fees Jail Expansion	-	-	55,050	-	55,050
Repayment of grant funds	-	-	-	-	-
Debt Service:					
Principal	-	990,000	-	-	990,000
Interest	-	944,951	-	-	944,951
Total expenditures	\$ 9,187,706	\$ 1,934,951	\$ 56,662	\$ 711,336	\$ 11,890,655
Excess (deficiency) of revenues over expenditures	\$ 2,806,504	\$ (1,791,460)	\$ (56,628)	\$ 70,493	\$ 1,028,909
Other financing sources (uses):					
Transfers from (to) other funds (net)	\$ (1,623,028)	\$ 1,595,805	\$ 75,025	\$ (47,802)	\$ -
Net change in fund balance	\$ 1,183,476	\$ (195,655)	\$ 18,397	\$ 22,691	\$ 1,028,909
Fund balance, beginning of year	3,765,320	3,122,314	-	16,731	6,904,365
Fund balance, end of year	\$ 4,948,796	\$ 2,926,659	\$ 18,397	\$ 39,422	\$ 7,933,274

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, 2007

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

Net change in fund balances - total governmental funds	\$	1,028,909
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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.		(907,962)
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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.		911,251
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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>(80,036)</u>
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Change in net assets of governmental activities	\$	<u><u>952,162</u></u>
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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, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 37,477
Due from others	<u>12,840</u>
Total assets	<u>\$ 50,317</u>
LIABILITIES	
Accounts payable	\$ 1,779
Amounts held for inmate benefits	<u>48,538</u>
Total liabilities	<u><u>\$ 50,317</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, 2007

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).

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.

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 Jail Expansion Fund accounts for resources accumulated and cost associated with the construction of major capital projects at the Jail.

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. For the year ended June 30, 2007 accounts totaling \$14,955 have been deemed uncollectible and written off for financial reporting purposes.

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, 2007

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 \$(18,702,591) difference for the primary government are as follows:

	<u>Primary Government</u>
Bonds (net of unamortized discount)	\$ 18,079,200
Accrued interest payable	230,483
Compensated absences	<u>392,908</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 18,702,591</u>

New River Valley Regional Jail Authority
Notes to the Financial Statements
For the year ended June 30, 2007

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 \$(907,962) are as follows:

	<u>Primary Government</u>
Capital outlays	\$ 15,000
Depreciation expense	<u>(922,962)</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>(907,962)</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 \$911,251 difference in the primary government are as follows:

	<u>Primary Government</u>
Principal payments on bonds	\$ 990,000
Deferred charge for issuance costs (to be amortized over the life of debt)	(49,710)
Issuance Discount (to be amortized as interest expense)	<u>(29,039)</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>911,251</u>

New River Valley Regional Jail Authority
Notes to the Financial Statements
For the year ended June 30, 2007

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 (\$80,036) difference for the primary government are as follows:

	Primary Government
Compensated absences	\$ (91,545)
Accrued interest	<u>11,509</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>\$ (80,036)</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, 2007**

Note 3-Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The Authority's rated debt investments as of June 30, 2007 were rated by Standards and Poor's and the ratings are presented below using Standard and Poor's rating scale.

Rated Debt Investments	Rated Debt Investments' Values			
	Fair Quality Ratings			
	AAAm	AAm	A	Unrated
STI Classic US Treasury Money Market Fund	\$ 966,741	\$ -	\$ -	\$ -
Morgan Guaranty Trust	-	-	-	1,959,918
Local Government Investment Pool	3,275,090	-	-	-
Total	\$ 4,241,831	\$ -	\$ -	1,959,918

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>938,925</u>

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New River Valley Regional Jail Authority
Notes to the Financial Statements
For the year ended June 30, 2007

Note 5-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2007	\$ 1,035,000	\$ 897,611
2008	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	\$ 18,285,000	\$ 6,696,914

The following is a summary of long-term debt transactions of the Authority for the year ended June 30, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
Revenue bonds	\$ 19,275,000	\$ -	\$ (990,000)	\$ 18,285,000
Original issuance discount	234,839	-	(29,039)	205,800
Compensated absences	301,363	320,581	(229,036)	392,908
Total	\$ 19,811,202	\$ 320,581	\$ (1,248,075)	\$ 18,883,708

New River Valley Regional Jail Authority
Notes to the Financial Statements
For the year ended June 30, 2007

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.	\$ 18,285,000	\$ 1,035,000
Less: unamortized portion of the original issue discount	(205,800)	(27,584)
	<u>18,079,200</u>	<u>1,007,416</u>
Other Obligation:		
Compensated absences	\$ 392,908	\$ 294,681
	<u>392,908</u>	<u>294,681</u>
Total Loan-term obligations	<u>\$ 18,472,108</u>	<u>\$ 1,302,097</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 with 5 years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) 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 an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers and firefighters 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/2006AnnuRept.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, 2007

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 2007 was 14.27% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2007, Authority's annual pension cost of \$700,298 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2005 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 3.75% to 5.60% 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) ¹	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	459,484	100.00%	\$ -
6/30/2006	490,409	100.00%	-
6/30/2007	700,298	100.00%	-

¹ Employer and employer portion assumed by the Employee

New River Valley Regional Jail Authority
Notes to the Financial Statements
For the year ended June 30, 2007

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)
6/30/2006	\$ 3,894,110	\$ 4,135,828	\$ 241,718	94.16%	\$ 4,546,027	5.32%
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%

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2007 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	3,226,236	15,000	(24,496)	3,216,740
Total capital assets being depreciated	\$ 31,032,970	\$ 15,000	\$ (24,496)	\$ 31,023,474
Less: accumulated depreciation for:				
Buildings	\$ (4,869,985)	\$ (695,168)	\$ -	\$ (5,565,153)
Machinery and equipment	(1,335,188)	(227,794)	24,496	(1,538,486)
Total accumulated depreciation	\$ (6,205,173)	\$ (922,962)	\$ 24,496	\$ (7,103,639)
Total capital assets being depreciated, net	\$ 24,827,797	\$ (907,962)	\$ -	\$ 23,919,835
Governmental activities capital assets, net	\$ 24,990,037	\$ (907,962)	\$ -	\$ 24,082,075

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, 2007

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 \$392,908.

Note 10-Subsequent Events:

The Authority is currently reviewing plans to expand the jail facility at an estimated total cost of approximately \$76 million dollars. On July 18, 2007, the State Board of Corrections approved the Jail's request for state funding and their approval recognized that up to \$29,868,567 of such amount would be eligible for reimbursement from the State. In their approval, the Board noted that such reimbursement is subject to the availability of funds. The Jail anticipates funding this project with a grant anticipation note and long-term bonds.

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	\$ 84,512	\$ 84,512	\$ 120,827	\$ 36,315
Carroll County	498,273	498,273	648,641	150,368
Giles County	385,682	385,682	449,627	63,945
Grayson County	379,212	379,212	388,496	9,284
Floyd County	143,161	143,161	186,694	43,533
Pulaski County	1,240,624	1,240,624	1,553,572	312,948
City of Radford	321,392	321,392	542,451	221,059
Wythe County	807,574	807,574	974,345	166,771
Charges to other localities/entities	-	-	6,875	6,875
U.S. Marshall Fixed Contract	-	-	93,302	93,302
Work release program	17,000	17,000	48,750	31,750
Interest income	60,000	60,000	142,758	82,758
Inmate telephone income	155,000	155,000	243,619	88,619
Live scan program	10,000	10,000	1,500	(8,500)
Inmate cost recovery	17,000	17,000	20,384	3,384
Miscellaneous income	53,500	53,500	142,221	88,721
Total revenue from local sources	<u>\$ 4,172,930</u>	<u>\$ 4,172,930</u>	<u>\$ 5,564,062</u>	<u>\$ 1,391,132</u>
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and wages	\$ 4,368,518	\$ 4,368,518	\$ 4,364,767	\$ (3,751)
State per diem payments	1,744,652	1,744,652	2,065,381	320,729
Total revenue from the Commonwealth	<u>\$ 6,113,170</u>	<u>\$ 6,113,170</u>	<u>\$ 6,430,148</u>	<u>\$ 316,978</u>
Total operating revenues	<u>\$ 10,286,100</u>	<u>\$ 10,286,100</u>	<u>\$ 11,994,210</u>	<u>\$ 1,708,110</u>

New River Valley Regional Jail Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances -- General Fund
Budget and Actual
Year Ended June 30, 2007

Exhibit 8
(continued)

	Adjusted Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
Employee costs	\$ 6,183,768	\$ 6,183,768	\$ 6,368,774	\$ (185,006)
Medical costs	823,330	823,330	1,070,111	(246,781)
Building costs	500,631	500,631	589,200	(88,569)
Administrative costs	44,250	44,250	45,064	(814)
Service contract/treatment costs	162,200	162,200	157,560	4,640
Telecommunications costs	24,500	24,500	57,710	(33,210)
Vehicle/equipment costs	105,720	105,720	100,355	5,365
Inmate services costs	588,486	588,486	678,761	(90,275)
Custodial costs	28,500	28,500	39,708	(11,208)
Travel costs	17,500	17,500	16,591	909
Training and operational costs	32,000	32,000	63,872	(31,872)
Total expenditures	\$ 8,510,885	\$ 8,510,885	\$ 9,187,706	\$ (676,821)
Excess (deficiency) of revenues over expenditures	\$ 1,775,215	\$ 1,775,215	\$ 2,806,504	\$ 1,031,289
Other financing sources (uses)				
Transfers to other funds	\$ (1,515,315)	\$ (1,515,315)	\$ (1,623,028)	\$ (107,713)
Net change in fund balance	\$ 259,900	\$ 259,900	\$ 1,183,476	\$ 923,576
Fund balance, beginning of year	-	-	3,765,320	3,765,320
Fund balance, end of year	\$ 259,900	\$ 259,900	\$ 4,948,796	\$ 4,688,896

Other Supplementary Information

New River Valley Regional Jail Authority
Combining Balance Sheet
Non-major Special Revenue Funds
June 30, 2007

	Home Electronic Monitoring	Community Corrections/ Pretrial Services	Total
ASSETS			
Cash and cash equivalents	\$ 400	\$ 38,237	\$ 38,637
Receivables (net of allowance for uncollectibles):			
Accounts receivable	785	-	785
Total assets	\$ 1,185	\$ 38,237	\$ 39,422
FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ 1,185	\$ 38,237	\$ 39,422
Total liabilities and fund balances	\$ 1,185	\$ 38,237	\$ 39,422

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, 2007

	<u>Home Electronic Monitoring</u>	<u>Community Corrections/ Pretrial Services</u>	<u>Total</u>
Revenues:			
Revenue from local sources:			
Charges for services	\$ 84,345	\$ -	\$ 84,345
Total revenue from local sources	<u>\$ 84,345</u>	<u>\$ -</u>	<u>\$ 84,345</u>
Revenue from the Commonwealth:			
Categorical aid:			
Community Corrections/Pretrial Grants	\$ -	\$ 697,484	\$ 697,484
Total revenue	<u>\$ 84,345</u>	<u>\$ 697,484</u>	<u>\$ 781,829</u>
Expenditures:			
Employee costs	\$ -	\$ 564,446	\$ 564,446
Consultants/treatment	-	1,228	1,228
Equipment costs	-	12,040	12,040
Travel costs	-	26,889	26,889
Training and operational costs	38,248	61,355	99,603
Miscellaneous	-	7,130	7,130
Repayment of grant funds	-	0	-
	<u>\$ 38,248</u>	<u>\$ 673,088</u>	<u>\$ 711,336</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 46,097</u>	<u>\$ 24,396</u>	<u>\$ 70,493</u>
Transfers to other funds	<u>\$ (47,802)</u>	<u>\$ -</u>	<u>\$ (47,802)</u>
Net change in fund balances	\$ (1,705)	\$ 24,396	\$ 22,691
Fund balance, beginning of year	<u>2,890</u>	<u>13,841</u>	<u>16,731</u>
Fund balance, end of year	<u>\$ 1,185</u>	<u>\$ 38,237</u>	<u>\$ 39,422</u>

Compliance Section

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 New River Valley Regional Jail Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated January 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New River Valley Regional Jail Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the New River Valley Regional Jail Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (reference 2007-1, 2007-2 and 2007-3) to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1, 2007-2 and 2007-3 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*.

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

Robinson, Farmer, Cox Associates

Robinson, Farmer, Cox Associates
January 9, 2008

New River Valley Regional Jail Authority

Schedule of Findings and Responses
Year Ended June 30, 2007

Financial Statement Findings

2007-1

Condition: The inmate trust fund (agency fund) is not reconciled to the bank account monthly.

Criteria: Bank accounts should be reconciled monthly to the underlying accounting records.

Effect: The financial statements may erroneously report amounts held for prisoners' in the inmate trust account.

Management's Response: Management agrees with the finding and will take steps to improve accountability over the prisoners' accounts.

2007-2

Condition: Substantially all accounting transactions are posted by the Jail's Finance Director. In addition, the Finance Director is responsible for preparing checks for payment and reconciling the Jail's bank accounts.

Criteria: A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets. In addition, no one employee should be responsible for all phases of an organization's financial record keeping.

Effect: The current system of internal controls is insufficient to detect misstatements in the financial statements in a timely manner.

Management's Response: Limited staff has precluded the Jail from segregating key duties related to finance. The Jail will perform a cost/benefit analysis to determine if the cost of additional staff is justified to improve these controls.

New River Valley Regional Jail Authority

Schedule of Findings and Responses

Year Ended June 30, 2007

2007-3

Condition: The inmate account bank reconciliation shows uncleared transactions dating back to February 2005.

Criteria: Reconciling items on bank accounts should be reviewed frequently to determine if errors have occurred in the reconciliation process.

Effect: The amount reported by the Jail in the inmate account could contain errors.

Management's

Response: Management agrees with the finding and will take steps to review all reconciling items in the inmate trust account.