

**NEW RIVER VALLEY REGIONAL JAIL AUTHORITY**

**FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2013**

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NEW RIVER VALLEY REGIONAL JAIL AUTHORITY  
 FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2013

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**FINANCIAL SECTION**

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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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To the Board of Directors  
New River Valley Regional Jail Authority  
Dublin, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the New River Valley Regional Jail Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the New River Valley Regional Jail Authority as of June 30, 2013, 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.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2013, the New River Valley Regional Jail Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## ***Other Matter***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information and the schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013, on our consideration of the New River Valley Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in

considering the New River Valley Regional Jail Authority's internal control over financial reporting and compliance.

Blacksburg, Virginia  
September 12, 2013

## Basic Financial Statements

**NEW RIVER VALLEY REGIONAL JAIL AUTHORITY**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 779,324
Investments	1,709,436
Accounts receivable (less allowance for doubtful accounts)	30,244
Prepaid expenses	13,148
Due from other governmental units	2,419,501
Non-current assets	
Cash and cash equivalents with trustee - restricted	1,530,921
Investments with trustee - restricted	3,725,611
Prepaid bond insurance, net	709,373
Capital assets (net of accumulated depreciation):	
Land	240,396
Machinery and equipment	10,942,469
Buildings and improvements	60,620,741
Total assets	\$ 82,721,164
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding, net	\$ 475,983
<b>LIABILITIES</b>	
Accounts payable	\$ 261,339
Accrued interest payable	619,752
Accrued benefits	22,707
Long-term liabilities:	
Due within one year	1,598,237
Due in more than one year	54,310,588
Total liabilities	\$ 56,812,623
<b>NET POSITION</b>	
Net investment in capital assets	\$ 16,926,156
Restricted for future debt service	5,256,532
Unrestricted	4,201,836
Total net position	\$ 26,384,524

The accompanying 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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Public safety	\$ 19,349,557	\$ 7,104,259	\$ 10,571,175	\$ (1,674,123)
Interest on long-term obligations	2,668,236	-	-	(2,668,236)
Total governmental activities	\$ 22,017,793	\$ 7,104,259	\$ 10,571,175	\$ (4,342,359)
General revenues:				
				\$ 9,026
Unrestricted revenues from use of money and property				504,882
Miscellaneous				513,908
Total general revenues				(3,828,451)
Change in net position				30,212,975
Net position - beginning, as restated				26,384,524
Net position - ending				

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY  
Balance Sheet  
Governmental Funds  
At June 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 778,924	\$ -	\$ -	\$ 400	\$ 779,324
Investments	1,709,436	-	-	-	1,709,436
Accounts receivable (less allowance for doubtful accounts)	25,024	-	-	5,220	30,244
Prepaid expenses	13,148	-	-	-	13,148
Due from other governmental units	2,419,501	-	-	-	2,419,501
Non-current assets:					
Cash and cash equivalents with trustee - restricted	-	1,530,921	-	-	1,530,921
Investments with trustee - restricted	-	3,725,611	-	-	3,725,611
<b>Total assets</b>	<b>\$ 4,946,033</b>	<b>\$ 5,256,532</b>	<b>\$ -</b>	<b>\$ 5,620</b>	<b>\$ 10,208,185</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Current liabilities:					
Accounts payable	\$ 261,339	\$ -	\$ -	\$ -	\$ 261,339
Accrued fringes	22,707	-	-	-	22,707
<b>Total liabilities</b>	<b>\$ 284,046</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 284,046</b>
Fund balance:					
Nonspendable	\$ 13,148	\$ -	\$ -	\$ -	\$ 13,148
Restricted:					
Debt service	-	5,256,532	-	-	5,256,532
Committed	-	-	-	5,620	5,620
Unassigned	4,648,839	-	-	-	4,648,839
<b>Total fund balance</b>	<b>\$ 4,661,987</b>	<b>\$ 5,256,532</b>	<b>\$ -</b>	<b>\$ 5,620</b>	<b>\$ 9,924,139</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,946,033</b>	<b>\$ 5,256,532</b>	<b>\$ -</b>	<b>\$ 5,620</b>	<b>\$ 10,208,185</b>

The accompanying notes to the 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 Position  
 June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	9,924,139
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		71,803,606
Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds.		709,373
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Revenue bond		(55,865,000)
Less: Issuance discount (to be amortized as interest expense)		987,550
Less: Deferred charge on refunding (to be amortized as interest expense)		475,983
Accrued interest payable		(619,752)
Other post employment benefits		(447,459)
Compensated absences		(583,916)
		(56,052,594)
Net position of governmental activities	\$	26,384,524

The accompanying 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  
Year Ended June 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues:</b>					
Revenue from use of money and property	\$ 7,003	\$ 2,010	\$ 13	\$ -	\$ 9,026
Charges for services	7,060,530	-	-	43,729	7,104,259
Miscellaneous	504,882	-	-	-	504,882
Recovered costs	52,977	-	-	-	52,977
Intergovernmental revenue	10,571,175	-	-	-	10,571,175
<b>Total revenues</b>	<b>\$ 18,196,567</b>	<b>\$ 2,010</b>	<b>\$ 13</b>	<b>\$ 43,729</b>	<b>\$ 18,242,319</b>
<b>Expenditures:</b>					
<b>Public Safety:</b>					
Employee costs	\$ 11,872,709	\$ -	\$ -	\$ -	\$ 11,872,709
Medical costs	1,073,653	-	-	-	1,073,653
Building costs	1,024,342	-	-	-	1,024,342
Administrative costs	36,481	-	-	-	36,481
Service contracts/treatment costs	281,588	-	-	-	281,588
Telecommunication costs	32,502	-	-	-	32,502
Vehicle/equipment costs	342,454	-	-	-	342,454
Inmate costs	1,033,315	-	-	-	1,033,315
Custodial costs	54,704	-	-	-	54,704
Travel costs	2,900	-	-	-	2,900
Training and operational costs	99,131	-	-	-	99,131
Program costs	-	-	-	14,880	14,880
<b>Debt Service:</b>					
Principal	-	1,160,000	-	-	1,160,000
Interest and other fiscal charges	-	2,542,073	-	-	2,542,073
<b>Total expenditures</b>	<b>\$ 15,853,779</b>	<b>\$ 3,702,073</b>	<b>\$ -</b>	<b>\$ 14,880</b>	<b>\$ 19,570,732</b>
Excess (deficiency) of revenues over (under) expenditures	2,342,788	(3,700,063)	13	28,849	(1,328,413)
<b>Other financing sources (uses):</b>					
Transfers in	\$ 50,449	\$ 3,720,047	\$ -	\$ -	\$ 3,770,496
Transfers out	(3,720,047)	-	(22,274)	(28,175)	(3,770,496)
<b>Total other financing sources (uses)</b>	<b>\$ (3,669,598)</b>	<b>\$ 3,720,047</b>	<b>\$ (22,274)</b>	<b>\$ (28,175)</b>	<b>\$ -</b>
Net change in fund balance	\$ (1,326,810)	\$ 19,984	\$ (22,261)	\$ 674	\$ (1,328,413)
Fund balance, beginning of year	5,988,797	5,236,548	22,261	4,946	11,252,552
Fund balance, end of year	<b>\$ 4,661,987</b>	<b>\$ 5,256,532</b>	<b>\$ -</b>	<b>\$ 5,620</b>	<b>\$ 9,924,139</b>

The accompanying notes to the 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, 2013

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

Net change in fund balances - total governmental funds		\$ (1,328,413)
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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.

Capital outlay	165,387	
Depreciation expense	<u>(3,515,545)</u>	(3,350,158)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on revenue bond	<u>1,160,000</u>	1,160,000
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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.

Increase (decrease) in discount on revenue bond	(39,700)	
Increase (decrease) in discount on deferred refunding charge	(68,817)	
Increase (decrease) in discount on deferred bond insurance issuance costs	(28,343)	
(Increase) decrease in compensated absences	(77,303)	
(Increase) decrease in accrued interest payable	10,697	
(Increase) decrease in other post employment benefits liability	<u>(106,414)</u>	<u>(309,880)</u>

Change in net position of governmental activities		<u>\$ (3,828,451)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**NEW RIVER VALLEY REGIONAL JAIL AUTHORITY**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>87,193</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 2,944
Amounts held for inmate benefits	<u>84,249</u>
Total liabilities	<u>\$ 87,193</u>

The accompanying 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, 2013

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### 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 governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

#### A. Financial Reporting Entity

The Authority was created by concurrent resolutions of the Counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski and 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 jail facilities for the participating jurisdictions.

The Authority does not have any component units. In addition, the Authority 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 position 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.

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  
June 30, 2013 (continued)

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

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

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.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. The fund is used to account for and report all financial resources except those required to be accounted for report in another fund. Revenues are derived primarily from state and federal distributions as well as charges to participating localities. The General Fund is considered a major fund for reporting purposes.

The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The Debt Service Fund is considered a major fund.

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects Fund is considered a major fund.

Additionally, the Authority reports the following fund types:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Home Electronic Monitoring (HEM) Fund, which is considered a non-major fund.

Fiduciary funds (trust and agency 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. The only agency fund is the Inmate Trust.



New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance

1. *Cash and Cash Equivalents*

The Authority's cash and cash equivalents (including cash in custody of trustee) 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.

2. *Investments*

Investments for the Authority are reported at fair value. The State Non-Arbitrage 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.

3. *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.

4. *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.

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 and infrastructure 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	5-20

New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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

**D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance**  
(continued)

**5. *Accounts Receivable***

Accounts receivable are stated at book value. The Authority has created an allowance for doubtful accounts based on amounts uncollected for greater than 90 days. The amount at June 30, 2013 was \$17,942.

**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's employees accrue paid time off at various rates based on the total years of service during employment as a full-time employee. Employees will be allowed to accumulate their maximum accrued hours per year as determined by years of service. An employee can accrue more than the maximum hours allowed however, the maximum amount will be only be carried beyond December 31<sup>st</sup> of each year. Upon termination, full compensation will be paid for unused paid time off up to the designated maximum based upon total years of service. The Authority's employees also accrue comp time at time and half which is paid in full upon termination. The Authority's liability for compensated absences at June 30, 2013 was \$583,916.

**7. *Restricted Assets***

Restricted cash is set aside for future debt service expenditures.

**8. *Long-term Obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as deferred bond insurance, 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. Deferred bond insurance is reported as deferred charges and amortized over the term of the related debt.

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.

New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance (continued)

*9. Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2013 the Authority had \$475,983 in a deferred outflow of resource due to deferred costs of bond refunding.

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

*10. Net Position*

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position. GASB Statement 34 requires the reporting of net position classified according to external donor restrictions or availability of assets for satisfaction of obligations.

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment and infrastructure less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset.

Restricted- This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

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New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance  
(continued)

*11. Net Position Flow Assumption*

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

*12. Fund Equity*

Beginning with fiscal year 2011, the Authority implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the Superintendent to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order; restrictive, committed, assigned and unassigned, as they are needed.

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New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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

**D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance (continued)**

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

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

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

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**Note 2-Deposits and Investments:**

**Deposits:**

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

**Investments:**

Statutes authorize local governments and other public bodies 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  
June 30, 2013 (continued)

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Note 2-Deposits and Investments: (continued)

Custodial Credit Risk (Investments):

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's only investment, Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP) are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities:

The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 1,709,436
SNAP	3,725,611
Total	<u>\$ 5,435,047</u>

Concentration of credit risk:

At June 30, 2013, the Authority did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Interest rate risk:

The carrying values and weighted average maturity of investments are listed below:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u> <u>1 Year or less</u>
LGIP	\$ 1,709,436	\$ 1,709,436
SNAP	3,725,611	3,725,611
Total	<u>\$ 5,435,047</u>	<u>\$ 5,435,047</u>

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

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New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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**Note 3-Receivables:**

At June 30, 2013, the Authority had the following receivables:

Amounts due from other governmental units:	
Amounts due from the State Compensation Board for Jail Payroll	\$ 717,763
Amounts due from the State for Per Diems	788,741
Amounts due from participating jurisdictions	912,997
Total amounts due from other governmental units	<u>\$ 2,419,501</u>
Other receivables:	
Inmate telephone	\$ 41,339
Miscellaneous receivables	6,847
Less: Allowance for doubtful accounts	(17,942)
Total other receivables	<u>\$ 30,244</u>

**Note 4-Long-Term Obligations:**

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue Bond	\$ 57,025,000	\$ -	\$ (1,160,000)	\$ 55,865,000
Discount on Revenue Bond	(1,027,250)	-	39,700	(987,550)
Compensated Absences	506,613	457,263	(379,960)	583,916
Net OPEB Obligation	341,045	114,014	(7,600)	447,459
	<u>\$ 56,845,408</u>	<u>\$ 571,277</u>	<u>\$ (1,507,860)</u>	<u>\$ 55,908,825</u>

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New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

Note 4-Long-Term Obligations: (continued)

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

Year Ending June 30,	Revenue Bond	
	Principal	Interest
2014	\$ 1,200,000	\$ 2,497,825
2015	1,250,000	2,450,325
2016	1,300,000	2,399,325
2017	1,350,000	2,346,325
2018	1,405,000	2,287,713
2019-2023	8,015,000	10,425,750
2024-2028	9,925,000	8,463,563
2029-2033	12,370,000	5,964,825
2034-2038	15,495,000	2,752,744
2039	3,555,000	84,431
	<u>\$ 55,865,000</u>	<u>\$ 39,672,826</u>

Details of long-term obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Outstanding	Amount due Within 1 year
Revenue bond	3.00-4.75%	5/15/2008	10/1/2038	\$ 60,940,000	\$ 55,865,000	\$ 1,200,000
Less: Discount					(987,550)	(39,700)
Total revenue bond					<u>\$ 54,877,450</u>	<u>\$ 1,160,300</u>
Other long-term obligations:						
Compensated absences					\$ 583,916	\$ 437,937
Other post employment benefits					447,459	-
Total other long-term obligations					<u>\$ 1,031,375</u>	<u>\$ 437,937</u>
Grand total long-term obligations					<u>\$ 55,908,825</u>	<u>\$ 1,598,237</u>

The Authority also has an outstanding line of credit with StellarOne Bank. The allowable principal amount was changed from \$300,000 to \$600,000 on January 24, 2013. However, the line of credit did not have any activity during fiscal year 2013 and as of June 30, 2013 had no outstanding balance.



New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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Note 5-Defined Benefit Pension Plan:

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 are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

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

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

New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

Note 5-Defined Benefit Pension Plan: (continued)

A. Plan Description (continued)

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, the employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of 5 years and the employer is required to provide a salary increase equal to the amount of the increase in employee-paid member contribution. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2013 was 18.32%, of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the New River Valley Regional Jail Authority's annual pension cost of \$1,548,822 was equal to the New River Valley Regional Jail Authority's required and actual contributions.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government	6/30/2013	\$ 1,548,822	100.00%	\$ -
Primary Government	6/30/2012	1,360,021	100.00%	-
Primary Government	6/30/2011	1,331,855	100.00%	-

<sup>1</sup> Employer and employee portion

New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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Note 5-Defined Benefit Pension Plan: (continued)

C. Annual Pension Cost (continued)

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

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 92.58% funded. The actuarial accrued liability for benefits was \$12,300,404, and the actuarial value of assets was \$11,388,256, resulting in an unfunded actuarial accrued liability (UAAL) of \$912,148. The covered payroll (annual payroll of active employees covered by the plan) was \$7,877,956, and ratio of the UAAL to the covered payroll was 11.58%.

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

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New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

Note 6-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 240,396	\$ -	\$ -	\$ 240,396
Capital assets being depreciated:				
Buildings and Improvements	\$ 74,225,103	\$ -	\$ -	\$ 74,225,103
Machinery and Equipment	18,143,839	165,387	(127,435)	18,181,791
Total capital assets being depreciated	<u>\$ 92,368,942</u>	<u>\$ 165,387</u>	<u>\$ (127,435)</u>	<u>\$ 92,406,894</u>
Accumulated depreciation:				
Buildings and Improvements	\$ (11,748,734)	\$ (1,855,628)	\$ -	\$ (13,604,362)
Machinery and Equipment	(5,706,840)	(1,659,917)	127,435	(7,239,322)
Total accumulated depreciation	<u>\$ (17,455,574)</u>	<u>\$ (3,515,545)</u>	<u>\$ 127,435</u>	<u>\$ (20,843,684)</u>
Total capital assets being depreciated, net	<u>\$ 74,913,368</u>	<u>\$ (3,350,158)</u>	<u>\$ -</u>	<u>\$ 71,563,210</u>
Governmental activities capital assets, net	<u>\$ 75,153,764</u>	<u>\$ (3,350,158)</u>	<u>\$ -</u>	<u>\$ 71,803,606</u>

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

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New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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**Note 7-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; injuries to employees; and natural disasters. The Authority participates with other government entities in a public entity risk pool for its coverage of liability insurance through VARISK 2 insurance pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays contributions and assessments based upon classification 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 in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 8-Other Post-Employment Benefits - Health Insurance:**

From an accrual accounting perspective, the cost of other post-employment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2010, the Authority recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

A. Plan Description

The New River Valley Regional Jail Authority administers a single-employer healthcare plan ("the Plan"). The Authority provides post-employment medical and dental benefits to its retirees who elect to stay in the plans. At retirement, retirees may stay in one of two plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65 or becoming eligibility for Medicare, whichever comes first. The Authority may change, add or delete benefits (including contributions required of retired persons) as deemed appropriate.

Participants are eligible for the plan upon eligibility to retire under the provisions of the Virginia Retirement System (VRS). The earliest retirement age is 50 with 10 years of service for general employees and 5 years of service for safety officers.

B. Funding Policy

The Authority currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Authority currently has 239 employees that are eligible for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees. Retirees are eligible to choose one of the following medical options through the Authority. The rates are as follows:

	<u>Retiree</u>
Key Advantage Expanded	\$ 550
Key Advantage 250	513

New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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**Note 8-Other Post-Employment Benefits - Health Insurance: (continued)**

B. Funding Policy (continued)

The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost

For 2013, the Authority's annual OPEB cost (expense) of \$114,014 did not equal the ARC of \$112,600. The obligation calculation is as follows:

Annual required contribution	\$ 112,600
Interest on net OPEB obligation	13,642
Adjustment to annual required contribution	<u>(12,228)</u>
Annual OPEB cost (expense)	114,014
Contributions made	<u>7,600</u>
Increase in net OPEB obligation	106,414
Net OPEB obligation - beginning of year	<u>341,045</u>
Net OPEB obligation - end of year	\$ 447,459

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 were as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013	\$ 114,014	6.67%	\$ 447,459
6/30/2012	106,620	2.44%	341,045
6/30/2011	124,325	2.25%	237,025

D. Funded Status and Funding Progress

The funded status of the Plan for the Authority as of June 30, 2012, is as follows:

Actuarial accrued liability (AAL)	\$ 528,600
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 528,600
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 8,042,900
UAAL as a percentage of covered payroll	6.57%

New River Valley Regional Jail Authority  
Notes to the Financial Statements  
June 30, 2013 (continued)

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**Note 8-Other Post-Employment Benefits - Health Insurance: (continued)**

D. Funded Status and Funding Progress (continued)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.50 percent, plus productivity component of 1.25 percent, and investment's rate of return at 4.00 percent, and a health care trend rate of 7.50 percent graded to 4.80 percent over 80 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over the remaining amortization period, which at June 30, 2012 was 30 years.

**Note 9-Restatement:**

Due to the issuance of GASB 65, *Items Previously Reported as Assets and Liabilities*, only insurance paid for bond issuance is allowed to be deferred as an deferred outflow. The remaining portion of the bond issuance cost is to be expensed in the fund based statements as interest expense. This accounting change created a restatement in the amount of \$433,261.

**Note 10-Litigation:**

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

## Required Supplementary Information



NEW RIVER VALLEY REGIONAL JAIL AUTHORITY  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual - General Fund  
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	\$ 188,007	\$ 188,007	\$ 145,358	\$ (42,649)
Carroll County	1,065,374	1,065,374	1,040,484	(24,890)
Giles County	689,359	689,359	821,833	132,474
Grayson County	564,021	564,021	592,964	28,943
Floyd County	376,014	376,014	393,090	17,076
Pulaski County	1,629,395	1,629,395	1,995,470	366,075
Radford City	564,021	564,021	714,670	150,649
Wythe County	1,190,712	1,190,712	1,356,661	165,949
Work release program	8,532	8,532	8,529	(3)
Interest income	5,852	5,852	7,003	1,151
Inmate telephone income	499,174	499,174	426,945	(72,229)
Inmate cost recovery	35,222	35,222	52,977	17,755
Miscellaneous revenue	49,795	49,795	69,408	19,613
	<u>\$ 6,865,478</u>	<u>\$ 6,865,478</u>	<u>\$ 7,625,392</u>	<u>\$ 759,914</u>
Total revenue from local sources				
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and fringes	\$ 8,444,429	\$ 8,444,429	\$ 8,177,490	\$ (266,939)
State per diem warrant	2,054,810	2,054,810	2,319,882	265,072
Other	28,933	28,933	73,803	44,870
	<u>\$ 10,528,172</u>	<u>\$ 10,528,172</u>	<u>\$ 10,571,175</u>	<u>\$ 43,003</u>
Total revenue from the Commonwealth				
Total revenues	<u>\$ 17,393,650</u>	<u>\$ 17,393,650</u>	<u>\$ 18,196,567</u>	<u>\$ 802,917</u>
Expenditures:				
Public Safety:				
Employee costs	\$ 11,616,262	\$ 11,616,262	\$ 11,872,709	\$ (256,447)
Medical costs	1,385,593	1,385,593	1,073,653	311,940
Building costs	798,613	798,613	1,024,342	(225,729)
Administrative costs	16,540	16,540	36,481	(19,941)
Service contracts/treatment costs	196,612	196,612	281,588	(84,976)
Telecommunication costs	31,007	31,007	32,502	(1,495)
Vehicle/equipment costs	252,270	252,270	342,454	(90,184)
Inmate costs	833,278	833,278	1,033,315	(200,037)
Custodial costs	45,983	45,983	54,704	(8,721)
Travel costs	3,200	3,200	2,900	300
Training and operational costs	77,778	77,778	99,131	(21,353)
	<u>\$ 15,257,136</u>	<u>\$ 15,257,136</u>	<u>\$ 15,853,779</u>	<u>\$ (596,643)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,136,514</u>	<u>\$ 2,136,514</u>	<u>\$ 2,342,788</u>	<u>\$ 206,274</u>

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual - General Fund (Continued)  
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 1,565,214	\$ 1,565,214	\$ 50,449	\$ (1,514,765)
Transfers out	(3,701,728)	(3,701,728)	(3,720,047)	(18,319)
Total other financing sources (uses)	<u>\$ (2,136,514)</u>	<u>\$ (2,136,514)</u>	<u>\$ (3,669,598)</u>	<u>\$ (1,533,084)</u>
Net change in fund balance	\$ -	\$ -	\$ (1,326,810)	\$ (1,326,810)
Fund balance, beginning of year	-	-	5,988,797	5,988,797
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,661,987</u>	<u>\$ 4,661,987</u>

New River Valley Regional Jail Authority  
Schedules of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2013

## VRS Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ 11,388,256	\$ 12,300,404	\$ 912,148	92.58%	\$ 7,877,956	11.58%
June 30, 2011	10,071,868	10,952,502	880,634	91.96%	7,993,995	11.02%
June 30, 2010	8,514,868	9,370,102	855,234	90.87%	7,330,650	11.67%

## Other Post-employment Benefits (OPEB) - Health Insurance

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2012	\$ -	\$ 528,600	\$ 528,600	0.00%	\$ 8,042,900	6.57%
June 30, 2010	-	462,600	462,600	0.00%	5,862,967	7.89%

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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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To the Board of Directors  
New River Valley Regional Jail Authority  
Dublin, Virginia

We have audited, in accordance with the 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 and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of New River Valley Regional Jail Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise New River Valley Regional Jail Authority's basic financial statements, and have issued our report thereon dated September 12, 2013.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2013-1].

### Compliance and Other Matters

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

## Purpose of this Report

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

Blacksburg, Virginia  
September 12, 2013

New River Valley Regional Jail Authority  
Schedule of Findings and Responses  
Year Ended June 30, 2013

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

**2013-1**

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Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Authority's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP).
Cause of Condition:	The Authority has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	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 and corrected by the entity's internal controls over financial reporting.
Recommendation:	Management has and continues to work towards making all necessary entries and adjustments.
Management's Response:	Management concurs that adjustments in material amounts were required to comply with GAAP. Management will continue to work with the auditors to improve on having the financial statements ready for audit.