NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

JUNE 30, 2009

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

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NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2009

AUTHORITY BOARD

Ford Wirt, Chairman – Floyd County
Frank R. Conner, Vice Chairman – Pulaski County
Douglas W. King, Sheriff, Secretary – Wythe County

Bland County

Wade D. Blankenship
Jerry L. Thompson, Sheriff
Matthew Harman, Deputy

Carroll County

Andrew Jackson
Nikki Shanks
H. Warren Manning, Sheriff

Floyd County

Virgil Allen
Shannon Zeman, Sheriff
Bruce Turner, Deputy

Giles County

Mark Givens
Todd Martin
Morgan Millirons, Sheriff

Grayson County

Jonathan Sweet
Mitch Smith
Richard Vaughn, Sheriff
Mike Hash, Deputy

Pulaski County

Peter M. Huber
James A. Davis, Sheriff
Mike Alderman, Deputy

City of Radford

Gary A. Young
Larry Humphrey
Mark R. Armentrout, Sheriff
Richard Phillips, Deputy

Wythe County

James E. Hagee
R. Cellell Dalton
Keith Dunagan, Major

OTHER OFFICIALS

Superintendent	Gerald A. McPeak
Assistant Superintendent	Thomas E. Lawson
Director of Finance	Tammy Dobbins

FINANCIAL SECTION

BROWN, EDWARDS & COMPANY, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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 (the "Authority") as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2009, 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 September 17, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

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The Authority has not presented the 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 budget to actual schedule on page 27 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the Authority's basic financial statements. The schedule of expenditures of federal awards 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 17, 2009

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BASIC FINANCIAL STATEMENTS

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

EXHIBIT 1

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents (Note 2)	$ 612,717
Investments (Note 2)	1,451,667
Due from other governments (Note 3)	21,676,156
Accounts receivable	65,296
Debt issue costs, net	1,489,611
Restricted assets:	
Cash and cash equivalents, restricted (Note 2)	33,498,688
Investments, restricted (Note 2)	7,957,977
Capital assets: (Note 5)	
Nondepreciable	40,421,861
Depreciable, net	22,164,826
Total assets	129,338,799
LIABILITIES	
Accounts payable	5,326,789
Other accrued payables	1,982
Accrued interest payable	979,638
Long-term liabilities: (Note 6)	
Due within one year	1,330,216
Due in more than one year	88,516,474
Total liabilities	96,155,099
NET ASSETS	
Invested in capital assets, net of related debt	16,066,489
Restricted for:	
Jail expansion	19,945,960
Unrestricted	(2,828,749)
Total net assets	$ 33,183,700

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

		Program Revenues			
Function	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Change in Net Assets**
Governmental activities:					
Public safety	$ 11,542,665	$ 6,471,603	$ 6,592,579	$ 16,461,989	$ 17,983,506
Interest on long-term debt	4,249,251	-	-	-	(4,249,251)
Total	$ 15,791,916	$ 6,471,603	$ 6,592,579	$ 16,461,989	13,734,255
	General revenues:				
	Interest and investment income, unrestricted				64,551
	Interest and investment income, restricted				1,130,353
	Other				46,095
	Total general revenues				1,240,999
	Change in net assets				14,975,254
	Net assets, beginning, as restated (Note 12)				18,208,446
	Net assets, ending				$ 33,183,700

The Notes to Financial Statements are an integral part of this statement.

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 612,317	$ -	$ -	$ 400	$ 612,717
Investments	1,451,667	-	-	-	1,451,667
Cash and cash equivalents, restricted	-	4,660,846	28,837,842	-	33,498,688
Investments, restricted	3,109,981	4,847,996	-	-	7,957,977
Other receivables	-	63,152	-	2,144	65,296
Due from other funds (Note 4)	-	-	100,905	-	100,905
Due from other governments (Note 3)	1,730,196	-	19,945,960	-	21,676,156
Total assets	$ 6,904,161	$ 9,571,994	$ 48,884,707	$ 2,544	$ 65,363,406
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 183,663	$ -	$ 5,143,126	$ -	$ 5,326,789
Due to other funds (Note 4)	100,905	-	-	-	100,905
Deferred revenues	-	63,152	19,945,960	-	20,009,112
Other accrued payables	1,982	-	-	-	1,982
Total liabilities	286,550	63,152	25,089,086	-	25,438,788
Fund balances:					
Reserved for:					
Encumbrances	151,555	-	20,086,183	-	20,237,738
Capital projects	-	-	3,709,438	-	3,709,438
Debt service	-	9,508,842	-	-	9,508,842
Unreserved:					
Designated for:					
Home electronic monitoring	-	-	-	2,544	2,544
Operating reserve	2,996,093	-	-	-	2,996,093
Replacement reserve	113,888	-	-	-	113,888
Undesignated	3,356,075	-	-	-	3,356,075
Total fund balances	6,617,611	9,508,842	23,795,621	2,544	39,924,618
Total liabilities and fund balances	$ 6,904,161	$ 9,571,994	$ 48,884,707	$ 2,544	$ 65,363,406

Adjustments for the Statement of Net Assets:

Total fund balance		$ 39,924,618
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		62,586,687
Debt issuance costs are reported as expenditures in the governmental funds, but are amortized over the life of the debt obligation in the Statement of Net Assets.		1,489,611
Revenues on the statement of net assets that do not provide current financial resources are reported as deferred revenues in the funds.		20,009,112
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:		
Accrued interest	$ (979,638)	
Revenue bonds	(60,080,000)	
Grant anticipation note	(31,195,000)	
Deferred costs	751,251	
Bond discount	1,146,350	
Note premium	(89,075)	
Compensated absences	(380,216)	
		(90,826,328)
Net assets of governmental activities		$ 33,183,700

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 4

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Charges for services	$ 6,021,237	$ -	$ -	$ 100,440	$ 6,121,677
Intergovernmental	6,592,579	-	-	-	6,592,579
Telephone commissions	226,055	-	-	-	226,055
Recovered costs	123,871	-	-	-	123,871
Revenue from use of money and property	64,551	337,863	960,396	-	1,362,810
Other	46,095	-	-	-	46,095
Total revenues	13,074,388	337,863	960,396	100,440	14,473,087
EXPENDITURES					
Public safety:					
Employee costs	7,642,918	-	-	-	7,642,918
Medical costs	1,109,073	-	-	-	1,109,073
Building costs	683,019	-	-	-	683,019
Administrative costs	32,546	-	-	-	32,546
Service contract/treatment costs	119,191	-	-	-	119,191
Telecommunication costs	46,179	-	-	-	46,179
Vehicle/equipment costs	157,999	-	-	-	157,999
Inmate service costs	732,717	-	-	-	732,717
Custodial costs	26,933	-	-	-	26,933
Travel costs	1,535	-	-	-	1,535
Training and operational costs	57,078	-	-	99,750	156,828
Capital projects	-	-	32,843,557	-	32,843,557
Debt service:					
Principal	-	860,000	-	-	860,000
Interest and other fiscal charges	-	3,448,674	-	-	3,448,674
Total expenditures	10,609,188	4,308,674	32,843,557	99,750	47,861,169
Excess (deficiency) of revenues over expenditures	2,465,200	(3,970,811)	(31,883,161)	690	(33,388,082)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	7,347	-	-	-	7,347
Transfers in (Note 4)	223,399	1,938,020	36,152	-	2,197,571
Transfers out (Note 4)	(1,938,020)	(259,551)	-	-	(2,197,571)
Total other financing sources (uses)	(1,707,274)	1,678,469	36,152	-	7,347
Net change in fund balances	757,926	(2,292,342)	(31,847,009)	690	(33,380,735)
FUND BALANCES AT JULY 1, as restated (Note 12)	5,859,685	11,801,184	55,642,630	1,854	73,305,353
FUND BALANCES AT JUNE 30	$ 6,617,611	$ 9,508,842	$ 23,795,621	$ 2,544	$ 39,924,618

(Continued)

The Notes to Financial Statements are
an integral part of this statement.

EXHIBIT 4

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net change in fund balances - total governmental funds		$ (33,380,735)
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 capital outlay ($32,932,250) exceeded depreciation ($920,447) in the current period.		32,011,803
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		16,294,083
The repayment of the principal of long-term debt ($860,000) consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized ($6,573) in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items.		866,573
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 in accrued interest payable	$ (597,627)	
Amortization of deferred loss on refunding	(68,817)	
Decrease in compensated absences	14,980	
Loss on the disposal of capital assets	(24,300)	
Amortization of debt issue costs	(140,706)	
		(816,470)
Change in net assets of governmental activities		$ 14,975,254

EXHIBIT 5

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
June 30, 2009

		Agency Funds
ASSETS		
Cash and cash equivalents	$	56,870
Accounts receivable		11,536
Total assets		68,406
LIABILITIES		
Amounts held for benefit of inmates		31,460
Accounts payable		36,946
Total liabilities		68,406
NET ASSETS	$	-

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The New River Valley Regional Jail Authority (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 a jail facility for the participating jurisdictions. Each member pays a per-diem charge for each inmate held from that member's jurisdiction.

The Authority provides services to the member jurisdictions. However, the member jurisdictions do not have a financial interest in or responsibility to the Authority as defined by GASB Statement No. 14. No member jurisdictions have access to the Authority's resources or surpluses, nor is any member liable for the Authority's debts or deficits. The Authority has the ability to finance its capital projects through member assessments or the sale of revenue bonds. None of the member jurisdictions appoints a voting majority of the board members.

Based on the above facts, the Authority is a jointly-governed organization of the member jurisdictions. The Authority is not a component unit of any member jurisdiction.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of inter-fund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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. 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 statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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*. 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 and they are available to pay current liabilities.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Charges for services and intergovernmental revenues, consisting primarily of Federal, state, and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure as long as it is available to pay current liabilities. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the Authority receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Authority reports the following major governmental funds:

General Fund – This is the Authority's primary operating fund. It accounts for all financial resources not required to be accounted for in other funds.

Debt Service Fund – This fund accounts for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Capital Projects Fund – This fund accounts for all financial resources used for the acquisition or construction of major capital facilities.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Authority reports the following non-major governmental fund:

Home Electronic Monitoring Fund – This fund accounts for financial resources of the Home Electronic Monitoring program.

The Authority also reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the Authority in a purely custodial capacity. Agency funds include the Commissary Fund and the Inmate Trust Fund.

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired.

Investments

Investments are stated at fair value.

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

Capital assets are reported in the government-wide financial statements. The Authority does not own infrastructure assets. Capital assets are defined as items with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Machinery and equipment	5-10 years

Compensated Absences

Authority employees are granted a specified number of days of leave with pay each year and can earn compensatory time for additional hours worked. The accumulated vacation and compensatory time pay is accounted for as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds when the amounts have become due and payable.

Deferred Revenues

Deferred revenues consist primarily of interest earnings, not collected within 60 days of year end, and amounts due from the Commonwealth of Virginia for reimbursement of construction costs which will not be available to pay current liabilities.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-term Liabilities

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 bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, at the time of issuance but do not report long-term liabilities. 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. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

The Authority uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Estimates

In preparing the financial statements, management uses estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Net Assets/Fund Equity

Net assets in the government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, laws, or regulations.

In the fund financial statements, reservations of fund balance are reported 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.

(Continued)

Note 2. Deposits and Investments

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, (the *"Code"*) or covered by federal depository insurance.

Investments

Investment policy:

In accordance with the *Code* and other applicable law, including regulations, the Authority's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings, and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of $1 per share).

The Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States, to 15 years for any single corporate security, and five years for any single asset-backed security.

Credit risk:

As required by state statute or by the Authority, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least $50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service.

As of June 30, 100% of the portfolio was invested in "AAAm" or "AAA" rated obligations. Credit ratings presented in this paragraph are Standard & Poor's short term issue credit ratings.

Concentration of credit risk:

The Authority has not adopted an investment policy for concentration of credit risk.

(Continued)

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Interest rate risk:

The carrying values, credit rating, weighted average maturity, and percentage of portfolio of investments were as follows:

Investment Type	Fair Value	Standard of Poor's Credit Rating	Weighted Average Maturity*	Percentage of Portfolio
VA State Non-Arbitrage Program (SNAP)	$ 32,577,181	AAAm	-	75.92%
Local Government Investment Pool (LGIP)	4,561,648	AAAm	-	10.63%
First American Treasury Obligations	921,506	AAAm	46	2.15%
Federal Home Loan Bank	2,411,130	AAA	326	5.62%
Federal Home Loan Mortgage Corporation	1,545,454	AAA	188	3.60%
Federal Farm Credit Bank	891,413	AAA	260	2.08%
	$ 42,908,332			100.00%

*Weighted average maturity in days.

Custodial credit risk:

The Policy requires that all investment securities shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the Authority's investments are held in a bank's trust department in the Authority's name.

The above items are reflected in the financial statements as follows:

Deposits and investments:	
Deposits	$ 669,587
Investments	42,908,332
	$ 43,577,919
Statements of net assets:	
Cash and cash equivalents	$ 612,717
Cash and cash equivalents, restricted	33,498,688
Investments	1,451,667
Investments, restricted	7,957,977
Fiduciary fund cash and cash equivalents	56,870
	$ 43,577,919

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Restricted amounts:

Restricted investments in the general fund consist of $2,996,093 to fund periods of revenue shortfall when revenues are not sufficient to cover net expenses other than debt service, and $113,888 to fund a repair and replacement reserve. These restrictions are required as part of the member service agreement.

Restricted cash and cash equivalents and investments in the capital projects and debt service funds consist of unused bond proceeds that must be used for pre-approved capital projects and to satisfy ongoing debt obligations.

Note 3. Due from Other Governments

Amounts due from other governments consist of the following:

	General Fund	Capital Projects Fund
Commonwealth of Virginia:		
State per diem payments	$ 823,608	$ -
Salaries and wages	391,062	-
Jail construction reimbursement	-	19,945,960
Member jurisdictions:		
Bland County	16,962	-
Carroll County	63,538	-
Giles County	51,522	-
Grayson County	44,750	-
Floyd County	27,275	-
Pulaski County	137,787	-
Radford City	48,300	-
Wythe County	116,763	-
Other jurisdictions	38,298	-
	1,759,865	19,945,960
Less: allowance for uncollectible accounts	(29,669)	-
	$ 1,730,196	$ 19,945,960

Note 4. Interfund Balances and Transactions

Amounts due from/to other funds consist of the following:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	$ 100,905

The primary purpose of the interfund balance is for an advance to the General Fund for vehicles which were not received by year end.

Note 4. Interfund Balances and Transactions (Continued)

Interfund transfers are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Debt Service	$ 1,938,020
Debt Service	General	223,399
Debt Service	Capital Projects	36,152
		$ 2,197,571

The transfer from the General Fund to the Debt Service Fund was for the payment of debt service. The transfers from the Debt Service Fund to the General Fund and Capital Projects Fund was to transfer excess amounts remaining from the debt issuance in 2008.

Note 5. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	$ 1,177,017	$ 803,267	$ -	$ 1,980,284
Construction-in-progress	6,401,287	32,040,290	-	38,441,577
Capital assets, nondepreciable	7,578,304	32,843,557	-	40,421,861
Capital assets, depreciable:				
Buildings and improvements	27,806,734	-	-	27,806,734
Machinery and equipment	3,243,740	88,693	27,000	3,305,433
Capital assets, depreciable	31,050,474	88,693	27,000	31,112,167
Less accumulated depreciation for:				
Buildings and improvements	(6,260,321)	(695,168)	-	(6,955,489)
Machinery and equipment	(1,769,273)	(225,279)	2,700	(1,991,852)
Total accumulated depreciation	(8,029,594)	(920,447)	2,700	(8,947,341)
Capital assets, depreciable, net	23,020,880	(831,754)	24,300	22,164,826
Capital assets, net	$ 30,599,184	$ 32,011,803	$ 24,300	$ 62,586,687

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

Note 5. Capital Assets (Continued)

Construction Commitments

The Authority has active construction projects related to the jail expansion and the administrative building addition. The amount related to the jail expansion does not include direct purchases of goods or services for the project. The Authority's remaining commitments for the projects is as follows:

	Spent to Date	Remaining Commitment
Jail expansion	$ 22,607,352	$ 19,534,162
Administrative building	32,500	552,021
	$ 22,639,852	$ 20,086,183

Note 6. Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue bonds	$ 60,940,000	$ -	$ 860,000	$ 60,080,000	$ 950,000
Grant anticipation note	31,195,000	-	-	31,195,000	-
Total bonds and note payable	92,135,000	-	860,000	91,275,000	950,000
Compensated absences	395,196	380,216	395,196	380,216	380,216
	$ 92,530,196	$ 380,216	$ 1,255,196	$ 91,655,216	$ 1,330,216

Debt service requirements of revenue bonds and the grant anticipation note are paid by the Debt Service Fund. Compensated absences are paid by the General Fund.

Note 6. Long-term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities: Revenue Bond Principal	Revenue Bond Interest	Grant Anticipation Note Principal	Grant Anticipation Note Interest
2010	$ 950,000	$ 2,670,750	$ -	$ 1,247,800
2011	985,000	2,637,500	31,195,000	1,247,800
2012	1,120,000	2,603,025	-	-
2013	1,160,000	2,563,825	-	-
2014	1,200,000	2,520,325	-	-
2015-2019	6,770,000	11,849,400	-	-
2020-2024	8,365,000	10,251,775	-	-
2025-2029	10,370,000	8,240,250	-	-
2030-2034	12,930,000	5,686,500	-	-
2035-2039	16,230,000	2,384,738	-	-
	$60,080,000	$51,408,088	$31,195,000	$ 2,495,600

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
Revenue bonds	3.00-4.75%	05/15/08	10/01/38	$ 60,940,000	$ 60,080,000
				Less discount	(1,146,350)
				Less deferred costs	(751,251)
					$ 58,182,399
Grant anticipation note	4.00%	05/15/08	04/01/11	$ 31,195,000	$ 31,195,000
				Plus premium	89,075
					$ 31,284,075

Prior year defeasance of debt

In 2008, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. During June 2008, the monies were used to retire the refunded bonds. The deferred costs are being amortized over the life of the old bonds as a component of interest expense.

Note 7. Line of Credit

The Authority has a $300,000 line of credit. Interest is at the prime rate, minus 50 basis points. There was no outstanding balance on the line during the year ended June 30, 2009. The line matures on December 5, 2017.

Note 8. Defined Benefit Pension Plan

Plan Description

The Authority contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System").

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers), payable monthly, for life in an amount equal to 1.85% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers 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 obtained from their website at www.varetire.org or by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

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 Authority has assumed 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 2009 was 15.38% of annual covered payroll. The Authority's contribution rates include the employee's share of 5% paid by the employer.

(Continued)

Note 8. Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For fiscal year 2009, the Authority's annual pension costs, including the employee share assumed by the Authority of $884,812, were equal to the required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% 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 was determined using 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 liabilities are being amortized as a level percentage of payroll on an open basis within a period of 20 years or less.

Three-Year Trend Information for New River Valley Regional Jail Authority

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
June 30, 2009	$ 884,812	100%	$ -
June 30, 2008	$ 710,956	100%	$ -
June 30, 2007	$ 700,298	100%	$ -

Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	$ 6,093,147	$ 6,543,938	$ 450,791	93.11%	$ 5,118,721	8.81%
June 30, 2007	$ 4,952,562	$ 5,201,993	$ 249,431	95.21%	$ 5,110,222	4.88%
June 30, 2006	$ 3,894,110	$ 4,135,828	$ 241,718	94.16%	$ 4,546,027	5.32%

Note 9. Risk Management

General liability and other insurance:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation claims; 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. Total premiums for fiscal year 2009 paid by the Authority were approximately $98,000.

Unemployment insurance:

The Authority is fully self-insured for unemployment claims. The Virginia Employment Commission bills the Authority for all unemployment claims.

Healthcare insurance:

The Authority provides coverage for employees through a policy with Anthem Blue Cross and Blue Shield. The Authority contributes 100% of the required premium amount for employees. Dependents of employee are also covered by the policy provided the employee pays the additional premium to the Authority. Total premiums for fiscal year 2009 paid by the Authority were approximately $1,144,000.

Note 10. Commitments and Contingencies

Jail expansion capital grant:

The grant receivable due from the Commonwealth of Virginia for the jail expansion project will be subject to audit at the end of construction to determine compliance with applicable requirements. It is possible that some amounts recorded may be disallowed; however, management has concluded that any disallowed amounts will be immaterial.

Litigation:

Certain lawsuits are pending against the Authority. In the opinion of management, after consulting with counsel, the potential loss, given insurance coverage, will not materially affect the Authority's financial position.

(Continued)

Note 11. New Accounting Standards

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

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the effects of adopting this standard and is therefore **unable to disclose the impact of adoption**. This statement will be effective for the year ended June 30, 2010.

The Authority allows retirees to remain on its healthcare plan until they are eligible for Medicare. The Authority does not pay any part of the retiree's premium; however, this creates an implicit rate subsidy. Currently, there is one retiree on the Authority's healthcare plan.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. Management has not yet evaluated the effects, if any, of adopting this standard but **does not expect them to be material**. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. Management has not yet evaluated the effects, if any, of adopting this standard **but does not expect them to be material**. This statement will be effective for the year ending June 30, 2010.

(Continued)

Note 12. Prior Period Adjustments

The following is a summary of restatements effective June 30, 2008:

	Governmental Activities	General Fund	Debt Service Fund	Capital Projects Fund
Fund balance/net assets June 30, 2008, as previously reported	$ 13,706,312	$ 5,676,279	$ -	$ 69,038,510
Record receivable from Commonwealth related to per diems	183,406	183,406	-	-
Record unrecognized changes in fair value and interest earnings on investments in the prior year	20,857	-	(42,927)	63,784
Correct classification of cash and investments to the appropriate fund	-	-	11,844,111	(11,844,111)
Correct error in cash reported in governmental activities in the prior year	42,926	-	-	-
Record unrecognized accounts payable	(601,712)	-	-	(1,615,553)
Record unrecognized compensated absences	(10,770)	-	-	-
Record deferred loss on bond refunding	820,068	-	-	-
Correct amount recorded for debt issuance cost	219,851	-	-	-
Correct errors in capital assets	343,537	-	-	-
Record receivable from Commonwealth related to jail expansion	3,483,971	-	-	-
Fund balance/net assets June 30, 2008, as restated	$ 18,208,446	$ 5,859,685	$ 11,801,184	$ 55,642,630

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REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 6

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for services:				
Bland County	$ 147,369	$ 147,369	$ 210,525	$ 63,156
Carroll County	790,955	790,955	845,700	54,745
Giles County	549,051	549,051	585,325	36,274
Grayson County	473,770	473,770	484,700	10,930
Floyd County	227,669	227,669	292,550	64,881
Pulaski County	1,894,441	1,894,441	1,651,525	(242,916)
Radford City	661,015	661,015	603,475	(57,540)
Wythe County	1,188,166	1,188,166	1,146,575	(41,591)
Other authorized fixed contracts	100,000	100,000	200,862	100,862
Intergovernmental - Revenue from the Commonwealth - Categorial Aid:				
Reimbursement of salaries and wages	4,777,087	4,777,087	4,334,124	(442,963)
State per diem payments	2,124,634	2,124,634	2,258,455	133,821
Telephone commissions	130,000	130,000	226,055	96,055
Recovered costs	92,167	92,167	123,871	31,704
Revenue from use of money and property	177,000	177,000	64,551	(112,449)
Other	36,500	36,500	46,095	9,595
Total revenues	13,369,824	13,369,824	13,074,388	(295,436)
EXPENDITURES				
Public safety:				
Employee costs	7,701,573	7,701,573	7,642,918	58,655
Medical costs	1,045,696	1,045,696	1,109,073	(63,377)
Building costs	636,422	636,422	683,019	(46,597)
Administrative costs	38,900	38,900	32,546	6,354
Service contract/treatment costs	151,320	151,320	119,191	32,129
Telecommunication costs	39,500	39,500	46,179	(6,679)
Vehicle/equipment costs	176,418	176,418	157,999	18,419
Inmate service costs	740,250	740,250	732,717	7,533
Custodial costs	42,000	42,000	26,933	15,067
Travel costs	4,200	4,200	1,535	2,665
Training and operational costs	98,076	98,076	57,078	40,998
Total expenditures	10,674,355	10,674,355	10,609,188	65,167
Excess (deficiency) of revenues over expenditures	2,695,469	2,695,469	2,465,200	(230,269)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,000	1,000	7,347	6,347
Transfers in	-	-	223,399	223,399
Transfers out	(2,696,469)	(2,696,469)	(1,938,020)	758,449
Total other financing sources (uses)	(2,695,469)	(2,695,469)	(1,707,274)	988,195
Net change in fund balances	$ -	$ -	$ 757,926	$ 757,926

The Note to Required Supplementary Information is an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009

Note 1. Budgetary Information

The Authority follows these procedures in establishing the budgetary data reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balance:

- Prior to year end, management submits to the Board a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the category level. The appropriation for each category can be revised only by the Board.
- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund.
- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30. No supplemental appropriations were necessary during the year.
- All budget data presented in the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance includes the original and revised budgets as of June 30.

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OTHER SUPPLEMENTARY INFORMATION

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SUPPORTING SCHEDULE

SCHEDULE 1

NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor Commonwealth of Virginia/Program Title	Federal CFDA Number	Federal Expenditures
Department of Education		
Compensation Board:		
State Fiscal Stabilization Funds – ARRA	84.397	$ 1,319,112
Department of Education		
Department of Criminal Justice Services:		
State Fiscal Stabilization Funds – ARRA	84.397	397,860
Total Expenditures of Federal Awards		$ 1,716,972

Note to Schedule of Expenditures of Federal Awards

Note 1. Basis of Accounting

This schedule was prepared on the modified accrual basis of accounting.

COMPLIANCE SECTION

BROWN,
EDWARDS&
COMPANY, L.L.P.
Certified Public Accountants

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 Honorable Members of the Board
New River Valley Regional Jail Authority
Dublin, Virginia

We have audited the 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, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards & Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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 remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.**

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Internal Control over Financial Reporting (Continued)

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 Authority'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, we believe all of the significant deficiencies referred to above are material weaknesses.**

Compliance and Other Matters

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

We noted certain matters that we reported to the Authority's management in a separate letter dated September 17, 2009.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses; and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, state and federal awarding agencies, pass-through entities, and the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 17, 2009

BROWN,
EDWARDS&
COMPANY, L.L.P.
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

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

Compliance

We have audited the compliance of the New River Valley Regional Jail Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance 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 OMB *Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the New River Valley Regional Jail Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

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Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identity all deficiencies in internal control that might be significant deficiencies or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

****

This report is intended for the information of management, federal awarding agencies and pass-through entities, and the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
September 17, 2009

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
June 30, 2009

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Inmate Canteen Provisions

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments:
Provisions and conditions of agreements related to federal programs selected for testing.

(Continued)

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Two significant deficiencies** relating to the audit of the financial statements are reported in the 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*. **All of the significant deficiencies were deemed to be material weaknesses.**
3. There were **no instances of noncompliance** material to the financial statements disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB *Circular A-133*.
5. The auditor's report on compliance for the major federal award program expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to the major program.
7. The program tested as a major program:

	CFDA #
State Fiscal Stabilization Funds – ARRA	84.397

8. The threshold for distinguishing Type A and B programs was $300,000.
9. The Authority was **not** determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

09-1: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management has taken steps to address the separation of duties issue by hiring more staff and examining functions that employees perform for possible conflicting duties. Due to the size of the organization, a complete separation of duties is not possible; however, management is trying to correct any deficiencies that are not cost prohibitive.

(Continued)

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

09-2: Financial Reporting Controls (Material Weakness)

Condition:

As more fully discussed in the letter on internal control matters, during our testing we noted a significant number of control deficiencies over the financial reporting process of the Authority. These deficiencies resulted in material audit adjustments and are summarized as follows:

- There are no internal reviews over various financial system updates, changes, journal entries, or billing reports.
- The trial balance is not reviewed for accuracy or completeness and is not reconciled to some subsidiary ledgers.
- Prior to the end of 2009, a formal bank reconciliation process was not performed on numerous cash and investment accounts related to the bond issuance.
- We detected unrecorded balances and errors related to cash, investments, due from other governments, capital assets, accounts payable, debt, debt service expenditures, and transfers.
- Inadequate controls over recordkeeping of capital assets.
- Inadequate controls over accounts payable.
- Improper accounting for debt related items.
- Inadequate access controls over information technology systems.

These adjustments had the following effects on net assets/fund balance:

	Prior Period	Current Period	Total
Governmental Activities	$ 4,502,134	$ 48,355,989	$ 52,858,123
General Fund	183,406	463,938	647,344
Debt Service Fund	11,801,184	(2,292,343)	9,508,841
Capital Project Fund	(13,395,880)	2,558,741	(10,837,139)

Management's response:

Please refer to responses in the separate management letter as to how Authority management and staff are responding to these various findings.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.