

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

FINANCIAL REPORT

JUNE 30, 2010

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Directory of Principal Officials..... i

FINANCIAL SECTION

Independent Auditor’s Report 1

Basic Financial Statements

Government-wide Financial Statements

Exhibit 1 Statement of Net Assets..... 4
Exhibit 2 Statement of Activities 5

Fund Financial Statements

Exhibit 3 Balance Sheet – Governmental Funds..... 6
Exhibit 4 Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds..... 7
Exhibit 5 Statement of Net Assets – Fiduciary Funds..... 9

Notes to Financial Statements 10

Required Supplementary Information

Exhibit 6 Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget to Actual – General Fund 28
Note to Required Supplementary Information..... 29

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards..... 31
Summary of Compliance Matters 33
Schedule of Findings and Responses 34

INTRODUCTORY SECTION

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2010

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
Assistant Superintendent
Director of Finance

Gerald A. McPeak
Thomas E. Lawson
Tammy Dobbins

FINANCIAL SECTION

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, 2010, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, 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.

As described in Note 10 to the financial statements, the Authority adopted the provisions of GASB Statement No. 45, *Financial Reporting of Post-employment Benefit Plans Other Than Pension Plans*, in 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis and budget comparison information 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 statement in an appropriate operational, economic, or historical context. The Authority has not presented the management's discussion and analysis but has presented the budget comparison information as Exhibit 6. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurances on it.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 2, 2010

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

EXHIBIT 1

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 530,885
Due from other governments (Note 3)	32,767,467
Accounts receivable	25,352
Debt issue costs, net	1,348,905
Restricted assets:	
Cash and cash equivalents, restricted (Note 2)	7,791,526
Investments, restricted (Note 2)	7,363,061
Capital assets: (Note 5)	
Nondepreciable	2,746,476
Depreciable, net	78,328,802
Total assets	<u>130,902,474</u>
LIABILITIES	
Accounts payable	1,095,199
Other accrued payables	7,746
Accrued interest payable	968,325
Long-term liabilities: (Note 6)	
Due within one year	32,643,604
Due in more than one year	56,514,218
Total liabilities	<u>91,229,092</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,257,548
Restricted for:	
Jail expansion	30,878,897
Unrestricted	5,536,937
Total net assets	<u><u>\$ 39,673,382</u></u>

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

Function	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Public safety	\$ 15,397,688	\$ 7,439,073	\$ 7,433,380	\$ 10,891,725	\$ 10,366,490
Interest on long-term debt	4,093,562	-	-	-	(4,093,562)
Total	<u>\$ 19,491,250</u>	<u>\$ 7,439,073</u>	<u>\$ 7,433,380</u>	<u>\$ 10,891,725</u>	<u>6,272,928</u>
General revenues:					
Interest and investment income, unrestricted					13,398
Interest and investment income, restricted					114,004
Gain on sale of capital assets					40,812
Other					<u>48,540</u>
Total general revenues					<u>216,754</u>
Change in net assets					6,489,682
Net assets, beginning					<u>33,183,700</u>
Net assets, ending					<u><u>\$ 39,673,382</u></u>

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2010

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 529,580	\$ -	\$ -	\$ 1,305	\$ 530,885
Cash and cash equivalents, restricted	-	4,663,260	3,128,266	-	7,791,526
Investments, restricted	5,742,504	1,620,557	-	-	7,363,061
Other receivables	-	21,942	-	3,410	25,352
Due from other funds (Note 4)	20,879	-	-	-	20,879
Due from other governments (Note 3)	1,888,570	-	30,878,897	-	32,767,467
Total assets	<u>\$ 8,181,533</u>	<u>\$ 6,305,759</u>	<u>\$ 34,007,163</u>	<u>\$ 4,715</u>	<u>\$ 48,499,170</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 219,388	\$ -	\$ 875,811	\$ -	\$ 1,095,199
Due to other funds (Note 4)	-	-	20,879	-	20,879
Deferred revenues	-	21,943	30,878,897	-	30,900,840
Other accrued payables	7,746	-	-	-	7,746
Total liabilities	<u>227,134</u>	<u>21,943</u>	<u>31,775,587</u>	<u>-</u>	<u>32,024,664</u>
Fund balances:					
Reserved for:					
Capital projects	-	-	2,231,576	-	2,231,576
Debt service	-	6,283,816	-	-	6,283,816
Unreserved:					
Designated for:					
Home electronic monitoring	-	-	-	4,715	4,715
Operating reserve	5,628,273	-	-	-	5,628,273
Replacement reserve	114,231	-	-	-	114,231
Undesignated	2,211,895	-	-	-	2,211,895
Total fund balances	<u>7,954,399</u>	<u>6,283,816</u>	<u>2,231,576</u>	<u>4,715</u>	<u>16,474,506</u>
Total liabilities and fund balances	<u>\$ 8,181,533</u>	<u>\$ 6,305,759</u>	<u>\$ 34,007,163</u>	<u>\$ 4,715</u>	<u>\$ 48,499,170</u>
Adjustments for the Statement of Net Assets:					
Total fund balance					\$ 16,474,506
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.					81,075,278
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.					1,348,905
Revenues on the statement of net assets that do not provide current financial resources are reported as deferred revenues in the funds.					30,900,840
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				\$ (968,325)	
Revenue bonds				(59,130,000)	
Grant anticipation note				(31,195,000)	
Deferred costs				682,434	
Bond discount				1,106,650	
Note premium				(42,802)	
Compensated absences				(463,604)	
Other post-employment benefits				(115,500)	
					<u>(90,126,147)</u>
Net assets of governmental activities					<u>\$ 39,673,382</u>

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES					
Charges for services	\$ 7,020,359	\$ -	\$ -	\$ 67,949	\$ 7,088,308
Intergovernmental	7,433,380	-	-	-	7,433,380
Telephone commissions	248,342	-	-	-	248,342
Recovered costs	102,423	-	-	-	102,423
Revenue from use of money and property	13,398	65,204	48,800	-	127,402
Other	48,540	-	-	-	48,540
Total revenues	<u>14,866,442</u>	<u>65,204</u>	<u>48,800</u>	<u>67,949</u>	<u>15,048,395</u>
EXPENDITURES					
Public safety:					
Employee costs	9,700,989	-	-	-	9,700,989
Medical costs	1,114,016	-	-	-	1,114,016
Building costs	777,808	-	-	-	777,808
Administrative costs	25,946	-	-	-	25,946
Service contract/treatment costs	148,853	-	-	-	148,853
Telecommunication costs	52,159	-	-	-	52,159
Vehicle/equipment costs	160,013	-	-	-	160,013
Inmate service costs	824,241	-	-	-	824,241
Custodial costs	32,430	-	-	-	32,430
Travel costs	1,538	-	-	-	1,538
Training and operational costs	43,357	-	-	65,778	109,135
Bad debt costs	20,387	-	-	-	20,387
Capital projects	-	-	20,726,361	-	20,726,361
Debt service:					
Principal	-	950,000	-	-	950,000
Interest and other fiscal charges	-	3,901,927	-	-	3,901,927
Total expenditures	<u>12,901,737</u>	<u>4,851,927</u>	<u>20,726,361</u>	<u>65,778</u>	<u>38,545,803</u>
Excess (deficiency) of revenues over expenditures	<u>1,964,705</u>	<u>(4,786,723)</u>	<u>(20,677,561)</u>	<u>2,171</u>	<u>(23,497,408)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	47,296	-	-	-	47,296
Transfers in (Note 4)	904,555	1,579,768	18,071	-	2,502,394
Transfers out (Note 4)	<u>(1,579,768)</u>	<u>(18,071)</u>	<u>(904,555)</u>	<u>-</u>	<u>(2,502,394)</u>
Total other financing sources (uses)	<u>(627,917)</u>	<u>1,561,697</u>	<u>(886,484)</u>	<u>-</u>	<u>47,296</u>
Net change in fund balances	1,336,788	(3,225,026)	(21,564,045)	2,171	(23,450,112)
FUND BALANCES AT JULY 1	<u>6,617,611</u>	<u>9,508,842</u>	<u>23,795,621</u>	<u>2,544</u>	<u>39,924,618</u>
FUND BALANCES AT JUNE 30	<u>\$ 7,954,399</u>	<u>\$ 6,283,816</u>	<u>\$ 2,231,576</u>	<u>\$ 4,715</u>	<u>\$ 16,474,506</u>

(Continued)

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

EXHIBIT 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

**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	\$ (23,450,112)
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 (\$20,202,271) exceeded depreciation (\$1,707,196) in the current period.	18,495,075
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	10,891,728
The net effect of various miscellaneous transactions involving capital assets (i.e. sales) is to decrease net assets	(6,484)
The repayment of the principal of long-term debt (\$950,000) 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.	956,573
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:	
Decrease in accrued interest payable	\$ 11,313
Amortization of deferred loss on refunding	(68,817)
Increase in compensated absences	(83,388)
Increase in other post-employment benefits	(115,500)
Amortization of debt issue costs	(140,706)
	(397,098)
Change in net assets of governmental activities	\$ 6,489,682

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

**STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
June 30, 2010**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 37,358
Accounts receivable	10,479
	47,837
Total assets	47,837
LIABILITIES	
Amounts held for benefit of inmates	37,701
Accounts payable	10,136
	47,837
Total liabilities	47,837
NET ASSETS	\$ -

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

Therefore, the Authority is a jointly-governed organization of the member jurisdictions and 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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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	5-20 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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Standard & Poor's Credit Rating</u>	<u>Weighted Average Maturity*</u>	<u>Percentage of Portfolio</u>
VA State Non-Arbitrage Program (SNAP)	\$ 6,854,393	AAAm	-	45.00%
Local Government Investment Pool (LGIP)	5,742,504	AAAm	-	38.00%
First American Treasury Obligations	937,133	AAAm	33	6.00%
Federal Home Loan Bank	793,072	AAA	76	5.00%
Federal Home Loan Mortgage Corporation	423,985	AAA	84	3.00%
Federal Farm Credit Bank	403,500	AAA	84	3.00%
	<u>\$ 15,154,587</u>			<u>100.00%</u>

*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	\$ 568,243
Investments	15,154,587
	<u>\$ 15,722,830</u>
Statements of net assets:	
Cash and cash equivalents	\$ 530,885
Cash and cash equivalents, restricted	7,791,526
Investments, restricted	7,363,061
Fiduciary fund cash and cash equivalents	37,358
	<u>\$ 15,722,830</u>

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Restricted amounts:

Restricted investments in the general fund consist of \$5,628,273 to fund periods of revenue shortfall when revenues are not sufficient to cover net expenses other than debt service, and \$114,231 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:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
<u>Commonwealth of Virginia:</u>		
State per diem payments	\$ 579,475	\$ -
Salaries and wages	635,194	-
Jail construction reimbursement	-	30,878,897
<u>Member jurisdictions:</u>		
Bland County	6,542	-
Carroll County	105,749	-
Giles County	50,505	-
Grayson County	49,224	-
Floyd County	23,527	-
Pulaski County	146,194	-
Radford City	51,143	-
Wythe County	259,324	-
Other jurisdictions	31,749	-
	<u>1,938,626</u>	<u>30,878,897</u>
Less: allowance for uncollectible accounts	<u>(50,056)</u>	<u>-</u>
	<u><u>\$ 1,888,570</u></u>	<u><u>\$ 30,878,897</u></u>

Note 4. Interfund Balances and Transactions

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	<u><u>\$ 20,879</u></u>

The primary purpose of the interfund balance is to reimburse the General Fund for amounts paid that benefited the Capital Projects Fund.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

Note 4. Interfund Balances and Transactions (Continued)

Interfund transfers are as follows:

<u>Transfer Out Fund</u>	<u>Transfer In Fund</u>	<u>Amount</u>
General	Debt Service	\$ 1,579,768
Capital Projects	General	904,555
Debt Service	Capital Projects	<u>18,071</u>
		<u>\$ 2,052,394</u>

The transfer from the General Fund to the Debt Service Fund was for the payment of debt service. The transfer from the Capital Projects Fund to the General Fund was to fund start-up salaries. The transfer from the Debt Service Fund to the Capital Projects Fund was for excess interest earnings.

Note 5. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 1,980,284	\$ 766,192	\$ -	\$ 2,746,476
Construction-in-progress	<u>38,441,577</u>	<u>-</u>	<u>(38,441,577)</u>	<u>-</u>
Capital assets, nondepreciable	<u>40,421,861</u>	<u>766,192</u>	<u>(38,441,577)</u>	<u>2,746,476</u>
Capital assets, depreciable:				
Buildings and improvements	27,806,734	43,912,289	-	71,719,023
Machinery and equipment	<u>3,305,433</u>	<u>13,965,367</u>	<u>(77,275)</u>	<u>17,193,525</u>
Capital assets, depreciable	<u>31,112,167</u>	<u>57,877,656</u>	<u>(77,275)</u>	<u>88,912,548</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,955,489)	(1,061,104)	-	(8,016,593)
Machinery and equipment	<u>(1,991,852)</u>	<u>(646,092)</u>	<u>70,791</u>	<u>(2,567,153)</u>
Total accumulated depreciation	<u>(8,947,341)</u>	<u>(1,707,196)</u>	<u>70,791</u>	<u>(10,583,746)</u>
Capital assets, depreciable, net	<u>22,164,826</u>	<u>56,170,460</u>	<u>(6,484)</u>	<u>78,328,802</u>
Capital assets, net	<u>\$ 62,586,687</u>	<u>\$ 59,936,652</u>	<u>\$(38,448,061)</u>	<u>\$ 81,075,278</u>

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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	\$ 60,080,000	\$ -	\$ 950,000	\$ 59,130,000	\$ 985,000
Grant anticipation note	31,195,000	-	-	31,195,000	31,195,000
Total bonds and note payable	91,275,000	-	950,000	90,325,000	32,180,000
Compensated absences	380,216	463,604	380,216	463,604	463,604
Other post-employment benefits	-	115,500	-	115,500	-
	<u>\$ 91,655,216</u>	<u>\$ 579,104</u>	<u>\$ 1,330,216</u>	<u>\$ 90,904,104</u>	<u>\$ 32,643,604</u>

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.

Annual debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Revenue Bond</u>		<u>Grant Anticipation Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,250,000	2,475,325	-	-
2016-2020	7,060,000	11,556,925	-	-
2021-2025	8,720,000	9,895,400	-	-
2026-2030	10,840,000	7,773,600	-	-
2031-2035	13,515,000	5,097,600	-	-
2036-2039	13,280,000	1,613,813	-	-
	<u>\$ 59,130,000</u>	<u>\$ 48,737,338</u>	<u>\$ 31,195,000</u>	<u>\$ 1,247,800</u>

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

Note 6. Long-term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>
Revenue bonds	3.00-4.75%	05/15/08	10/01/38	\$ 60,940,000	\$ 59,130,000
				Less discount	(1,106,650)
				Less deferred costs	(682,434)
					<u>\$ 57,340,916</u>
Grant anticipation note	4.00%	05/15/08	04/01/11	\$ 31,195,000	\$ 31,195,000
				Plus premium	42,802
					<u>\$ 31,237,802</u>

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, 2010. 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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 8. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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/Pdf/Publication/2009-Annual-Report.pdf or by writing the System's Chief Financial Officer 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 2010 was 15.38% of annual covered payroll. The Authority's contribution rates include the employee's share of 5% paid by the employer.

Annual Pension Cost

For fiscal year 2010, the Authority's annual pension costs, including the employee share assumed by the Authority of \$1,053,583, 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, 2010	\$ 1,053,583	100%	\$ -
June 30, 2009	\$ 884,812	100%	\$ -
June 30, 2008	\$ 710,956	100%	\$ -

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

Note 8. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

**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, 2009	\$ 7,231,497	\$ 7,522,551	\$ 291,054	96.13%	\$ 5,510,739	5.28%
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%

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 2010 paid by the Authority were approximately \$119,000.

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 2010 paid by the Authority were approximately \$1,363,000.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Other Post-employment Benefits

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The Authority prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

Plan Description and Benefits Provided

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 eligible for Medicare, whichever comes first. The retiree pays the premium for these benefits. The Authority may change, add, or delete benefits (including contributions required of retired employees) 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.

Membership

The number of participants at June 30, 2010 was 232, consisting of all active participants.

Funding Policy

The Authority currently fund post-employment health care benefits on a pay-as-you-go basis. The Authority does not intend to establish a trust to pre-fund this liability.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Other Post-employment Benefits (Continued)

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the Authority's annual OPEB cost (expense) of \$115,500 was equal to the Annual Required Contribution (ARC). The payment of current retiree claims net of retiree contributions towards premiums, totaled \$-0- for retirees, resulted in a Net OPEB obligation of \$115,500 for the year ended June 30, 2010.

Annual required contribution	\$ 115,500
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	115,500
Less contributions made	<u>-</u>
Increase in net OPEB obligation	115,500
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u><u>\$ 115,500</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows. Since this is the Authority's first year for implementing GASB 45, the Authority cannot report the same information for the preceding two years.

<u>Fiscal Year Ended</u>	<u>OPEB Obligation</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 115,500	-0-%	\$ 115,500

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Other Post-employment Benefits (Continued)

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve 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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Required Supplementary Information
Schedule of Funding Progress – Other Post Employment Benefits**

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, 2010	\$ -	\$ 462,600	\$ 462,600	-0-%	\$ 5,862,967	7.89%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) 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, 2010 actuarial valuation, the projected unit cost (PUC) method was used to determine liabilities. A PUC accrued benefit is determined for each active member in the Plan on the basis of the member's benefit projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age. The actuarial assumptions used a 4% discount rate.

The actuarial liability and the normal cost for disability benefits are determined in a similar manner by projecting the member's benefit to each assumed date of disablement. The actuarial liability and normal cost for the disability benefits are based upon the present value of the expected benefit expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the benefits expected to be paid.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 11. 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:

The Authority is a defendant in lawsuit related to unpaid inmate medical expenses. The amount of the lawsuit is approximately \$300,000. It is the opinion of management, after consulting with counsel, that the Authority has a defensible claim and plans to defend the allegations. Certain other lawsuits are pending against the Authority. In the opinion of management, after consulting with counsel, any potential loss, given insurance coverage, will not materially affect the Authority's financial position.

Note 12. New Accounting Standards

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**NEW RIVER VALLEY
REGIONAL JAIL AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services:				
Bland County	\$ 187,016	\$ 187,016	\$ 236,163	\$ 49,147
Carroll County	1,003,778	1,003,778	1,138,347	134,569
Giles County	697,683	697,683	652,534	(45,149)
Grayson County	704,553	704,553	683,375	(21,178)
Floyd County	289,302	289,302	341,507	52,205
Pulaski County	2,404,486	2,404,486	1,822,445	(582,041)
Radford City	838,898	838,898	655,204	(183,694)
Wythe County	1,508,338	1,508,338	1,433,466	(74,872)
Other authorized fixed contracts	174,550	174,550	57,318	(117,232)
Intergovernmental - Revenue from the Commonwealth - Categorical Aid:				
Reimbursement of salaries and wages	6,698,740	6,698,740	5,384,563	(1,314,177)
State per diem payments	1,944,240	1,944,240	2,048,817	104,577
Telephone commissions	213,150	213,150	248,342	35,192
Recovered costs	110,200	110,200	102,423	(7,777)
Revenue from use of money and property	95,500	95,500	13,398	(82,102)
Other	3,044,000	3,044,000	48,540	(2,995,460)
Total revenues	<u>19,914,434</u>	<u>19,914,434</u>	<u>14,866,442</u>	<u>(5,047,992)</u>
EXPENDITURES				
Public safety:				
Employee costs	12,129,686	12,129,686	9,700,989	2,428,697
Medical costs	1,308,183	1,308,183	1,114,016	194,167
Building costs	2,903,727	2,903,727	777,808	2,125,919
Administrative costs	54,850	54,850	25,946	28,904
Service contract/treatment costs	186,600	186,600	148,853	37,747
Telecommunication costs	40,500	40,500	52,159	(11,659)
Vehicle/equipment costs	142,874	142,874	160,013	(17,139)
Inmate service costs	1,011,662	1,011,662	824,241	187,421
Custodial costs	68,000	68,000	32,430	35,570
Travel costs	6,100	6,100	1,538	4,562
Bad debts	-	-	20,387	(20,387)
Training and operational costs	82,000	82,000	43,357	38,643
Total expenditures	<u>17,934,182</u>	<u>17,934,182</u>	<u>12,901,737</u>	<u>5,032,445</u>
Excess (deficiency) of revenues over expenditures	<u>1,980,252</u>	<u>1,980,252</u>	<u>1,964,705</u>	<u>(15,547)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	1,000	1,000	47,296	46,296
Transfers in	-	-	904,555	904,555
Transfers out	(1,981,252)	(1,981,252)	(1,579,768)	401,484
Total other financing sources (uses)	<u>(1,980,252)</u>	<u>(1,980,252)</u>	<u>(627,917)</u>	<u>1,352,335</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,336,788</u>	<u>\$ 1,336,788</u>

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010

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.

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

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

To the 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, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 2, 2010. 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 and 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 09-2 described in the accompanying schedule of findings and responses to be a material weakness.**

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider deficiency 09-1 described in the accompanying schedule of findings and responses to be a significant deficiency.**

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 management of the Authority in a separate letter dated November 2, 2010.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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
November 2, 2010

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

June 30, 2010

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:

None.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

09-1: Segregation of Duties (Significant Deficiency)

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:

Two new positions were added to the Administration Staff in order to segregate duties. We believe that we have addressed the deficiency and are segregating duties and cross-training personnel in order to detect irregularities or errors. We have diligently attempted to eliminate beginning to end tasks by one person and have effectively to our ability implemented compensating controls.

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 2010, 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.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010**

09-2: Financial Reporting Controls (Material Weakness) (Continued)

Management's response:

The Superintendent has been receiving the unopened bank statements and signing off on each statement. We have been alternating between the Director of Finance and the Accounting Clerk the duties of reconciliation; we will agree to begin comparing the reconciliation to the prior period for items outstanding for an extended period of time. We have also created a general journal entry spreadsheet to report and document when cash accounts are affected during the month all journals have backup documentation and given to the person responsible for reconciling that month. We receive copies of cashed checks back, so therefore we can't inspect checks for alterations and for unusual endorsements.