NEW RIVER VALLEY REGIONAL JAIL

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

New River Valley Regional Jail Authority

Financial Report

Fiscal Year Ended June 30, 2011

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
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, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New River Valley Regional Jail Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the New River Valley Regional Jail Authority, as of June 30, 2011, 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 1 to the financial statements, the New River Valley Regional Jail Authority adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2011, on our consideration of the New River Valley Regional Jail Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the budgetary comparison information, as well as retirement and other post-employment benefits schedule of funding progress, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the retirement and other post-employment benefits schedule of funding progress 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the retirement and other post-employment benefits schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Robinson, Farmer, Cox Associates
Christiansburg, Virginia
October 15, 2011

Basic Financial Statements

Exhibit 1

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Net Assets
June 30, 2011

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	383,181
Investments		5,748,395
Accounts receivable		56,634
Due from other governmental units		2,330,571
Non-current assets		
Cash and cash equivalents with trustee - restricted		1,519,853
Investments with trustee - restricted		3,986,209
Debt issuance costs, net		1,216,195
Capital assets (net of accumulated depreciation):		
Construction in progress		52,700
Land		240,396
Machinery and equipment		13,189,087
Buildings and improvements		64,331,997
Total assets	$	93,055,218
LIABILITIES		
Accounts payable	$	100,389
Accrued interest payable		640,088
Accrued fringes		10,053
Long-term liabilities:		
Due within one year		1,352,837
Due in more than one year		55,566,734
Net OPEB liability		237,025
Total liabilities	$	57,907,126
NET ASSETS		
Invested in capital assets, net of related debt	$	21,349,747
Restricted for future debt service		5,238,328
Unrestricted		8,560,017
Total net assets	$	35,148,092

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

Exhibit 2

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Activities
For the Year Ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Operating	Capital	Regional Jail Authority
		Charges for	Grants and	Grants and	Governmental
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities
Governmental activities:					
Public safety	$ 19,221,749	$ 7,793,170	$ 9,742,535	$ -	$ (1,686,044)
Interest on long-term debt	3,218,334	-	-	-	(3,218,334)
Total governmental activities	$ 22,440,083	$ 7,793,170	$ 9,742,535	$ -	$ (4,904,378)

General revenues:	
Unrestricted revenues from use of money and property	$ 26,063
Miscellaneous	371,554
Total general revenues	$ 397,617
Change in net assets	$ (4,506,761)
Net assets - beginning, as restated	39,654,853
Net assets - ending	$ 35,148,092

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

Exhibit 3

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Balance Sheet
Governmental Funds
At June 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 382,781	$ -	$ -	$ 400	$ 383,181
Investments	5,748,395	-	-	-	5,748,395
Accounts receivable	49,905	-	-	6,729	56,634
Due from other governmental units	2,330,571	-	-	-	2,330,571
Non-current assets:					
Cash and cash equivalents with trustee - restricted	-	1,512,654	7,199	-	1,519,853
Investments with trustee - restricted	-	3,725,674	260,535	-	3,986,209
Total assets	$ 8,511,652	$ 5,238,328	$ 267,734	$ 7,129	$ 14,024,843
LIABILITIES AND FUND BALANCE					
Current liabilities:					
Accounts payable	$ 96,389	$ -	$ 4,000	$ -	$ 100,389
Accrued fringes	10,053	-	-	-	10,053
Total liabilities	$ 106,442	$ -	$ 4,000	$ -	$ 110,442
Fund balance:					
Restricted:					
Debt service	$ -	$ 5,238,328	$ -	$ -	$ 5,238,328
Capital projects	-	-	263,734	-	263,734
Committed	-	-	-	7,129	7,129
Unassigned	8,405,210	-	-	-	8,405,210
Total fund balance	$ 8,405,210	$ 5,238,328	$ 263,734	$ 7,129	$ 13,914,401
Total liabilities and fund balance	$ 8,511,652	$ 5,238,328	$ 267,734	$ 7,129	$ 14,024,843

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

Exhibit 4

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet	$ 13,914,401
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,814,180
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,216,195
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(57,796,684)
Net assets of governmental activities	$ 35,148,092

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2011

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
Revenues:					
Revenue from use of money and property	$ 13,413	$ 30,805	$ 3,788	$ -	$ 48,006
Charges for Services	7,712,442	-	-	80,728	7,793,170
Miscellaneous	371,554	-	-	-	371,554
Recovered costs	34,408	-	-	-	34,408
Intergovernmental	9,742,535	30,878,897	-	-	40,621,432
Total revenues	$ 17,874,352	$ 30,909,702	$ 3,788	$ 80,728	$ 48,868,570
Expenditures:					
Public Safety:					
Employee costs	$ 11,509,779	$ -	$ -	$ -	$ 11,509,779
Medical costs	1,258,417	-	-	-	1,258,417
Building costs	1,010,231	-	321,598	-	1,331,829
Administrative costs	46,889	-	-	-	46,889
Service contracts/treatment costs	270,343	-	-	-	270,343
Telecommunication costs	36,508	-	-	-	36,508
Vehicle/equipment costs	208,535	-	-	-	208,535
Inmate service costs	1,041,583	-	-	-	1,041,583
Custodial costs	38,834	-	-	-	38,834
Travel costs	2,392	-	-	-	2,392
Bad debts	23,471	-	-	-	23,471
Training and operational costs	41,585	-	-	-	41,585
Inmate uniform costs	14,405	-	-		14,405
Program costs	-			78,314	78,314
Debt Service:					
Principal	-	32,180,000	-	-	32,180,000
Interest and other fiscal charges	-	3,348,146	-	-	3,348,146
Total expenditures	$ 15,502,972	$ 35,528,146	$ 321,598	$ 78,314	$ 51,431,030
Excess (deficiency) of revenues over expenditures	2,371,380	(4,618,444)	(317,810)	2,414	(2,562,460)
Other financing sources (uses)					
Transfers in	$ 124,711	$ 3,577,080	$ 4,124	$ -	$ 3,705,915
Transfers out	(2,083,811)	(4,124)	(1,617,980)	-	$ (3,705,915)
Total other financing sources (uses)	$ (1,959,100)	$ 3,572,956	$ (1,613,856)	$ -	$ -
Net change in fund balance	$ 412,280	$ (1,045,488)	$ (1,931,666)	$ 2,414	$ (2,562,460)
Fund balance, beginning of year, as restated	7,992,930	6,283,816	2,195,400	4,715	16,476,861
Fund balance, end of year	$ 8,405,210	$ 5,238,328	$ 263,734	$ 7,129	$ 13,914,401

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

Exhibit 6

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities
For the year Ended June 30, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(2,562,460)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital asset purchases in the current period.		(3,240,214)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(30,900,840)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		31,981,575
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.		215,178
Change in net assets of governmental activities	$	(4,506,761)

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

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2011

		Agency Funds
ASSETS		
Cash	$	36,871
Accounts receivable		18,930
Total assets	$	55,801
LIABILITIES		
Accounts payable	$	3,512
Amounts held for inmate benefits		52,289
Total liabilities	$	55,801

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

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Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

The Authority reports the following major governmental funds:

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

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

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

Additionally, the Authority reports the following fund types:

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

Investments for the Authority are reported at fair value. The State Non-Arbitrage Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

2. *Use of Estimates*

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

3. *Capital Assets*

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

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

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

Assets	Years
Buildings	40
Building improvements	20
Machinery and equipment	5-20

4. *Accounts Receivable*

Accounts receivable are stated at book value. Uncollected balances have not been significant, therefore no allowances for uncollectible accounts is recorded.

5. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Authority's employees accrue paid time off at various rates based on the total years of service during employment as a full-time employee. Employees will be allowed to accumulate their maximum accrued hours per year as determined by years of service. An employee can accrue more than the maximum hours allowed however, the maximum amount will be only be carried beyond December 31st of each year. Upon termination, full compensation will be paid for unused paid time off up to the designated maximum based upon total years of service. The Authority's employees also accrue comp time at time and half which is paid in full upon termination. The Authority's liability for compensated absences at June 30, 2011 was $455,138.

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

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

6. Restricted Assets

Restricted cash is set aside for future debt service expenditures.

7. Long-term Obligations

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

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

8. Net Assets

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

9. Fund Balance

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

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

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this $(57,796,684) difference for the primary government are as follows:

Bonds (net of unamortized discount and deferred costs on refunding)	$ (56,464,433)
Accrued interest payable	(640,088)
Other post employment benefits	(237,025)
Compensated absences	(455,138)
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$ (57,796,684)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $(3,240,214) are as follows:

Depreciation expense	$ (3,432,525)
Capital asset additions	192,311
Net adjustment to increase (decrease) *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (3,240,214)

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $31,981,575 difference in the primary government are as follows:

Amortization of premiums, discounts and issuance costs:	
Premium on grant anticipation note	$ 42,802
Discount on revenue bond	(39,700)
Deferred amount on refunding	(68,817)
Issuance costs on revenue bond	(132,710)
Principal repayments:	
Revenue bond	985,000
Grant anticipation note	31,195,000
Net adjustment to increase *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 31,981,575

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $215,178 difference for the primary government are as follows:

(Increase) decrease in compensated absences	$ 8,466
(Increase) decrease in accrued interest	328,237
(Increase) decrease in OPEB liability	(121,525)
Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 215,178

Note 3-Deposits and Investments:

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

Note 3-Deposits and Investments: (Continued)

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

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

Credit Risk of Debt Securities:
The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2011 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments	Fair Quality Ratings	
		AAAm
LGIP	$	5,748,395
SNAP		3,986,209
Total	$	9,734,604

Concentration of credit risk:
At June 30, 2011, the Authority did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

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

Investment type		Fair Value		Maturity 1 Year or less
LGIP	$	5,748,395	$	5,748,395
SNAP		3,986,209		3,986,209
Total	$	9,734,604	$	9,734,604

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

Note 4-Receivables:

At June 30, 2011, the Authority had the following receivables:

Amounts due from other governmental units:	
Amounts due from the State Compensation Board for Jail Payroll	$ 788,593
Amounts due from the State for Per Diems	703,296
Amounts due from participating jurisdictions	857,554
Less: Allowance for doubtful accounts	(18,872)
Total amounts due from other governmental units	$ 2,330,571

Other receivables:	
Inmate telephone	$ 41,783
Miscellaneous receivables	14,851
Total other receivables	$ 56,634

Note 5-Long-Term Debt:

The following is a summary of long-term debt transactions of the Authority for the year ended June 30, 2011:

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Revenue Bond	$ 59,130,000	$ -	$ (985,000)	$ 58,145,000
Grant Anticipation Note	31,195,000	-	(31,195,000)	-
Compensated Absences	463,604	339,237	(347,703)	455,138
Net OPEB Obligation	115,500	124,325	(2,800)	237,025
Total	$ 90,904,104	$ 463,562	$ (32,530,503)	$ 58,837,163

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Note 5-Long-Term Debt: (Continued)

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

Year Ending	Revenue Bond	
June 30,	Principal	Interest
2012	$ 1,120,000	$ 2,583,425
2013	1,160,000	2,542,075
2014	1,200,000	2,497,825
2015	1,250,000	2,450,325
2016	1,300,000	2,399,325
2017-2021	7,360,000	11,093,813
2022-2026	9,100,000	9,313,775
2027-2031	11,330,000	7,030,875
2032-2036	14,135,000	4,145,887
2037-2039	10,190,000	741,000
	$ 58,145,000	$ 44,798,325

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Outstanding	Amount due Within 1 year
Revenue bond	3.00-4.75%	5/15/2008	10/1/2038	$ 60,940,000	$ 58,145,000	$ 1,120,000
Less: Discount					(1,066,950)	(39,700)
Less: Deferred amount on refunding					(613,617)	(68,817)
Total revenue bond					$ 56,464,433	$ 1,011,483
Other long-term debt:						
Compensated absences					$ 455,138	$ 341,354
Other post employment benefits					237,025	-
Total other long-term debt					$ 692,163	$ 341,354
Grand toal Long-term debt					$ 57,156,596	$ 1,352,837

Note 6-Employee Retirement System and Pension Plans:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2011 was 12.08%, of annual covered payroll, excluding the 5% member contribution assumed by the Authority.

C. Annual Pension Cost

For fiscal year 2011, the New River Valley Regional Jail Authority's annual pension cost of $1,331,855 was equal to the New River Valley Regional Jail Authority's required and actual contributions for the Authority.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) [1]	Percentage of APC Contributed	Net Pension Obligation
Primary Government	6/30/2011	$ 1,331,855	100.00%	$ -
Primary Government	6/30/2010	1,053,583	100.00%	-
Primary Government	6/30/2009	884,812	100.00%	-

[1] Employer portion only

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the New River Valley Regional Jail Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The New River Valley Regional Jail Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 90.87% funded. The actuarial accrued liability for benefits was $9,370,102, and the actuarial value of assets was $8,514,868, resulting in an unfunded actuarial accrued liability (UAAL) of $855,234. The covered payroll (annual payroll of active employees covered by the plan) was $7,330,650, and ratio of the UAAL to the covered payroll was 11.67%.

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

Note 7-Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	Beginning Balance	Beginning Balance Adjustments	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 2,746,476	$ (2,506,080)	$ -	$ -	$ 240,396
Construction in Progress	-	-	52,700	-	52,700
Total capital assets not being depreciated	$ 2,746,476	$ (2,506,080)	$ 52,700	$ -	$ 293,096
Capital assets being depreciated					
Buildings and Improvements	$ 71,719,023	$ 2,506,080	$ -	$ -	$ 74,225,103
Machinery and Equipment	17,193,525	-	139,611	(19,927)	17,313,209
Total capital assets being depreciated	$ 88,912,548	$ 2,506,080	$ 139,611	$ (19,927)	$ 91,538,312
Less: accumulated depreciation for:					
Buildings and Improvements	$ (8,016,593)	$ (20,884)	$ (1,855,629)	$ -	$ (9,893,106)
Machinery and Equipment	(2,567,153)	-	(1,576,896)	19,927	(4,124,122)
Total depreciation	$ (10,583,746)	$ (20,884)	$ (3,432,525)	$ 19,927	$ (14,017,228)
Total capital assets being depreciated, net	$ 78,328,802	$ 2,485,196	$ (3,292,914)	$ -	$ 77,521,084
Governmental activities capital assets, net	$ 81,075,278	$ (20,884)	$ (3,240,214)	$ -	$ 77,814,180

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

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Note 8-Risk Management:

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates with other government entities in a public entity risk pool for their coverage of liability insurance through VARISK 2 insurance pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9-Other Post-Employment Benefits:

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

A. Plan Description

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

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

B. Funding Policy

The Authority currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Authority currently has 232 employees that are eligible for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

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

		Retiree
Key Advantage Expanded	$	585
Key Advantage 250		546

Note 9-Other Post-Employment Benefits: (continued)

B. Funding Policy (continued)

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

C. Annual OPEB Cost

For 2011, the Authority's annual OPEB cost (expense) of $124,325 did not equal the ARC of $123,700. The obligation calculation is as follows:

Annual required contribution	$	123,700
Interest on net OPEB obligation		4,620
Adjustment to annual required contribution		(3,995)
Annual OPEB cost (expense)		124,325
Contributions made		2,800
Increase in net OPEB obligation		121,525
Net OPEB obligation - beginning of year		115,500
Net OPEB obligation - end of year	$	237,025

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 124,325	2.25%	$ 237,025

D. Funded Status and Funding Progress

The funded status of the Plan for the Authority as of June 30, 2010, is as follows:

Actuarial accrued liability (AAL)	$	462,600
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	462,600
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	$	5,862,967
UAAL as a percentage of covered payroll		7.89%

Note 9-Other Post-Employment Benefits: (continued)

D. Funded Status and Funding Progress (continued)

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

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

E. Actuarial Methods and Assumptions

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

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

In the June 30, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.50 percent, plus productivity component of 1.25 percent, and investment's rate of return at 4.00 percent, and a health care trend rate of 6.80 percent graded to 4.50 percent over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011 was 27.5 years.

Note 10-Commitments and Contingencies:

The Authority has obligated funds for the projects described below as of June 30, 2011:

	Original Contract	Amount Paid As of 6/30/2011	Remaining Contract Amount	Retainage Payable
Balfour Beatty-renovations	$ 428,110	$ 408,600	$ 10,000	$ 9,510
Baker Renewal Energy-Solar Thermal Energy	666,763	-	666,763	-
Total Contracts	$ 1,094,873	$ 408,600	$ 676,763	$ 9,510

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Note 11-Restatement of Beginning Fund Balance/Net Assets:

	General Fund	Capital Projects Fund	Governmental Activities
Fund Balance/Net Assets, as previously reported	$ 7,954,399	$ 2,231,576	$ 39,673,382
Adjustments:			
Additional receivables	35,790	-	35,790
Additional payables	(22,559)	(36,176)	(58,735)
Payables removed	25,300	-	25,300
Additional depreciation	-	-	(20,884)
Restated Fund Balance/Net Assets	$ 7,992,930	$ 2,195,400	$ 39,654,853

Required Supplementary Information

Exhibit 8

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	$ 264,990	$ 264,990	$ 189,946	$ (75,044)
Carroll County	1,044,455	1,044,455	1,392,723	348,268
Giles County	692,799	692,799	831,816	139,017
Grayson County	643,918	643,918	725,416	81,498
Floyd County	369,263	369,263	362,489	(6,774)
Pulaski County	1,958,940	1,958,940	1,942,180	(16,760)
Radford City	688,332	688,332	669,032	(19,300)
Wythe County	1,409,163	1,409,163	1,580,684	171,521
Charges for State inmates	70,992	70,992	18,156	(52,836)
Work release program	9,530	9,530	6,856	(2,674)
Interest income	17,151	17,151	13,413	(3,738)
Inmate telephone income	243,917	243,917	232,219	(11,698)
Home Monitoring	49,158	49,158	55,755	6,597
Inmate cost recovery	44,959	44,959	34,408	(10,551)
Miscellaneous revenue	57,377	57,377	76,724	19,347
Total revenue from local sources	$ 7,564,944	$ 7,564,944	$ 8,131,817	$ 566,873
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and fringes	$ 8,542,279	$ 8,542,279	$ 7,808,687	$ (733,592)
State per diem warrant	1,564,686	1,564,686	1,897,231	332,545
Other	-	-	36,617	36,617
Total revenue from the Commonwealth	$ 10,106,965	$ 10,106,965	$ 9,742,535	$ (364,430)
Total revenues	$ 17,671,909	$ 17,671,909	$ 17,874,352	$ 202,443
Expenditures:				
Operating Expenses:				
Employee costs	$ 11,826,134	$ 11,826,134	$ 11,509,779	$ 316,355
Medical costs	1,316,795	1,316,795	1,258,417	58,378
Building costs	971,622	971,622	1,010,231	(38,609)
Administrative costs	22,300	22,300	46,889	(24,589)
Service contracts/treatment costs	167,570	167,570	270,343	(102,773)
Telecommunication costs	44,000	44,000	36,508	7,492
Vehicle/equipment costs	145,004	145,004	208,535	(63,531)
Inmate service costs	1,033,857	1,033,857	1,041,583	(7,726)
Custodial costs	65,000	65,000	38,834	26,166
Travel costs	3,590	3,590	2,392	1,198
Bad debts		-	23,471	(23,471)
Training and operational costs	47,000	47,000	41,585	5,415
Inmate uniform costs	12,000	12,000	14,405	(2,405)
Total expenditures	$ 15,654,872	$ 15,654,872	$ 15,502,972	$ 151,900
Excess (deficiency) of revenues over expenditures	$ 2,017,037	$ 2,017,037	$ 2,371,380	$ 354,343

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Other financing sources (uses)				
Transfers in	$ 1,333,622	$ 1,333,622	$ 124,711	$ (1,208,911)
Transfers out	(3,350,659)	(3,350,659)	(2,083,811)	1,266,848
Total other financing sources (uses)	$ (2,017,037)	$ (2,017,037)	$ (1,959,100)	$ 57,937
Net change in fund balance	$ -	$ -	$ 412,280	$ 412,280
Fund balance, beginning of year, as restated	-	-	7,992,930	7,992,930
Fund balance, end of year	$ -	$ -	$ 8,405,210	$ 8,405,210

New River Valley Regional Jail Authority
Required Supplementary Information
Schedules of Defined Benefit Plan and Other Post Employment Benefits Funding Progress
For the Year Ended June 30, 2011

Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2010	$ 8,514,868	$ 9,370,102	$ 855,234	90.87%	$ 7,330,650	11.67%
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%

Other Post-employment Benefits (OPEB)

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

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

We have audited the financial statements of the governmental activities and each major fund of the New River Valley Regional Jail Authority, as of and for the year ended June 30, 2011, which collectively comprise the New River Valley Regional Jail Authority's basic financial statements and have issued our report thereon dated October 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses (reference 2011-1) to be a material weakness.

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the New River Valley Regional Jail Authority in a separate letter dated October 15, 2011.

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

Robinson, Farmer, Cox Associates
Christiansburg, Virginia
October 15, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2011-1

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