



Northwestern Regional Jail Authority

Winchester, Virginia

Financial Report
Year Ended June 30, 2009

Northwestern Regional Jail Authority

Winchester, Virginia

Financial Report
Year Ended June 30, 2009

Table of Contents

Page

INTRODUCTORY SECTION:

Letter of Transmittal i-ii

FINANCIAL SECTION:

Independent Auditors' Report 1-2

Management's Discussion and Analysis 3-4

BASIC FINANCIAL STATEMENTS:

Statement of Net Assets 5

Statement of Revenues, Expenses and Changes in Net Assets 6

Statement of Cash Flows 7

Notes to Financial Statements 8-15

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress –County of Frederick, Virginia 16

OTHER SUPPLEMENTARY INFORMATION:

Schedule of Revenues, Expenditures and Changes in Fund Balance—Budgetary Basis 17

Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund
Balances—Budgetary Basis to the Statement of Net Assets and Statement of
Revenues, Expenses and Changes in Net Assets 18

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 19-20

Northwestern Regional Jail Authority

Winchester, Virginia

Financial Report
Year Ended June 30, 2009

Table of Contents

	<u>Page</u>
<u>COMPLIANCE SECTION: (continued)</u>	
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	21-22
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25

INTRODUCTORY SECTION

Northwestern Regional Adult Detention Center

Bruce R. Conover - Superintendent



141 Fort Collier Road, Winchester, VA 22603
(540) 665-6374 (540) 665-1615 FAX

December 14, 2009

Northwestern Regional Jail Authority
Regional Adult Detention Center
141 Fort Collier Road
Winchester, VA 22603

Dear Jail Authority Members:

The Northwestern Regional Adult Detention Center Annual Financial Report for fiscal year 2009 is attached. To the best of our knowledge, the data is accurate and represents the financial position of the Regional Adult Detention Center in a fair and objective manner.

Beginning with the June 30, 2002 Comprehensive Financial Statements, Frederick County, Virginia implemented the Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB Statement Number 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). The Detention Center complies with the provisions of the Standard as a government entity under Frederick County, the Center's fiscal agent. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE REPORTING ENTITY

Organized in accordance with Virginia Code Section 53.1-81, The Detention Center is a regional activity governed by an Authority as outlined in Virginia Code Section 53.1-95.2 whose members represent the jurisdictions of Clarke, Fauquier, and Frederick Counties and the City of Winchester. The Detention Center is located on a 41 acre parcel along Fort Collier Road in Winchester, VA and consists of three (3) buildings housing inmates and administrative facilities, and a large warehouse. The Detention Center can accommodate more than 800 inmates in a double-bunked configuration.

ECONOMIC CONDITIONS AND OUTLOOK

In FY09, the Commonwealth reduced its financial aid to localities, and as part of that reduction the Detention Center received more than \$250,000 less in state assistance than in prior years. Similar yet more drastic reductions are expected for the foreseeable future. As in FY09,

Northwestern Regional Jail Annual Financial Report

FY10 reductions in salary and per diem assistance necessitated reductions in expenditures and increased the cost to the participating jurisdictions. Unfortunately, much of the cost to clothe, feed and provide health care to inmates is fixed and unlike many other governmental agencies, the opportunity to eliminate projects and reduce costs is limited.

During this period of reduced state assistance, use of the Jail's Fund Balance to offset the impact of the reductions will likely continue. However, Fund Balances are not predictable and it is reasonable to assume that the participating jurisdictions will soon be confronted with a far greater financial burden.

FINANCIAL INFORMATION

Frederick County serves as the Jail's Fiscal Agent and the Jail's activities are included in the County's annual appropriated budget. The facility's internal control structure consists of a Captain of Administrative Services and four (4) accounting personnel who oversee both the Jail's fiscal operations as well as the execution of the inmate account and commissary operations.

ACKNOWLEDGEMENTS

The sound financial condition enjoyed by the Regional Detention Center results, in part, from the dedication and commitment of the Detention Center accounting staff, the Frederick County Finance Department, the Regional Jail Authority, and the support of the participating jurisdictions and their governing bodies.

Respectfully,

A handwritten signature in black ink, appearing to read "Bruce R. Conover", with a stylized, flowing script.

Bruce R. Conover
Superintendent

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, Virginia

We have audited the accompanying statement of net assets of the Northwestern Regional Jail Authority, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Northwestern Regional Jail Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2008 financial statements, and in our report dated February 18, 2009, except for Note 11, as to which the date is March 13, 2009, we expressed an unqualified opinion on those financial statements.

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 financial position of the Northwestern Regional Jail Authority, as of June 30, 2009, and the respective changes in financial position and cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the Northwestern 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 important for assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northwestern Regional Jail Authority basic financial statements. The introductory section and other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Northwestern Regional Jail Authority. The introductory section, other Supplementary Information, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respected in relation to the basic financial statements taken as a whole.

Robinson, Turner, Cox Associates

Charlottesville, Virginia
December 21, 2009

Management's Discussion and Analysis

The following is a discussion and analysis of the Northwestern Regional Jail Authority's financial performance for the fiscal year ended June 30, 2009. This information is in conjunction with the Superintendent's transmittal letter and included with the annual audit report.

Financial Highlights:

At the end of the fiscal year, the Northwestern Regional Jail reported an ending net assets balance of \$19,834,967, a decrease of \$1,888,213 from the prior year.

The Northwestern Regional Jail holds long-term debt of \$15,940,000; consisting of Revenue Bonds payable in annual installments for 30 years.

Overview:

Comparison of revenues and expenses from fiscal year 2008 to 2009 provide the following information:

Fiscal year 2008 revenues were \$17,794,257; fiscal year 2008 expenses were \$17,497,231.

Fiscal year 2009 revenues were \$16,923,373; fiscal year 2009 expenses were \$18,811,586.

Applying the annual inmate average daily population (ADP) rate to expenditures, an inmate cost per annum was derived for fiscal year 2008 and 2009 for comparison. With an ADP of 623 in FY 08, the cost per annum per inmate amounted to \$26,965. In FY 2009 ADP decreased to 563 and the per annum cost per inmate increased to \$32,114. The primary reason for the increase was a large amount of repair and maintenance work done on the building and grounds.

Other factors which affected the total budget for fiscal year 2009 included:

- General costs associated with maintaining an increased inmate population i.e. Clothing, food, linen, and house keeping supplies.
- Costs associated with housing prisoners at other facilities who could not be accommodated locally because of overcrowding.
- Costs associated with long-term debt (\$731,654).

Additional funds were appropriated from the fund balance reserves for unexpected expenses.

The Frederick County Government (fiscal agent) application and method of determining capital assets changed in 2003 to include only those capital equipment expenses exceeding \$5,000. Accumulated depreciation, representative of assets removed and new additions, between FY08 and FY09 were minimal.

FY2008 assets	\$31,150,626	FY2009 assets	\$32,186,278
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The long-term liabilities indicated in the audit are reserves held for payment of accrued compensated absences. These liabilities reflect a slight increase from FY08 to FY09.

FY2008 accrual	\$1,017,585	FY2009 accrual	\$965,262
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Additional information contained in this report applies to funds held for inmates and canteen operations. Northwestern Regional Jail Authority is the fiduciary custodian of all funds received from inmates or on behalf of inmates. Such funds are deposited and controlled on behalf of the inmate. Accountability methods adhere to generally accepted accounting practices and are subject to annual audit. Practical internal controls are established in the form of clearly detailed policies and procedures that provide a system of checks and balances to protect fiduciary funds from theft or fraud.

BASIC FINANCIAL STATEMENTS

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Net Assets

At June 30, 2009

(With Comparative Totals for 2008)

	2009	2008
ASSETS		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 5,254,138	\$ 6,059,632
Accounts receivable	75,057	381,038
Due from other governments	854,910	862,847
Total current assets	<u>\$ 6,184,105</u>	<u>\$ 7,303,517</u>
Noncurrent assets:		
Land	\$ 600,375	\$ 600,375
Other capital assets, net of accumulated depreciation	30,550,251	31,585,903
Net capital assets	<u>\$ 31,150,626</u>	<u>\$ 32,186,278</u>
Bond issuance cost, less accumulated amortization	\$ 426,875	\$ 443,950
Total assets	<u>\$ 37,761,606</u>	<u>\$ 39,933,745</u>
LIABILITIES		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 413,434	\$ 224,645
Accrued compensated absences, current portion	193,052	203,517
Bond premium, current portion	39,757	40,392
Total current liabilities	<u>\$ 646,243</u>	<u>\$ 468,554</u>
Long-term liabilities:		
Accrued compensated absences, less current portion	\$ 772,210	\$ 814,068
Bonds payable, noncurrent portion	15,940,000	16,320,000
Bond premium, noncurrent portion	568,186	607,943
Total noncurrent liabilities	<u>\$ 17,280,396</u>	<u>\$ 17,742,011</u>
Total liabilities	<u>\$ 17,926,639</u>	<u>\$ 18,210,565</u>
NET ASSETS		
Net Assets:		
Invested in capital assets, net of related debt	\$ 14,602,683	\$ 15,217,943
Unrestricted	5,232,284	6,505,237
Total net assets	<u>\$ 19,834,967</u>	<u>\$ 21,723,180</u>

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2009 (With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Care of prisoners:		
Local and other per diems	\$ 8,243,924	\$ 7,708,168
Commonwealth of Virginia jail costs	1,340,201	1,388,362
Federal	752,232	1,484,928
Work release	467,666	462,241
Other	469,951	883,188
Total charges for services	\$ 11,273,974	\$ 11,926,887
Operating expenses:		
Personnel	\$ 9,094,164	\$ 8,629,759
Fringes	3,990,020	3,650,521
Contractual	1,427,938	951,011
Other charges	2,500,697	2,473,997
Depreciation	1,067,113	1,094,065
Total operating expenses	\$ 18,079,932	\$ 16,799,353
Net operating income (loss)	\$ (6,805,958)	\$ (4,872,466)
Nonoperating revenues (expenses):		
Commonwealth of Virginia State Compensation Board	\$ 3,636,377	\$ 5,467,166
Other State grants	238,891	261,785
Department of Criminal Justice Services	-	12,882
State Fiscal Stabilization Fund - ARRA	1,685,614	-
Interest and investment earnings	88,517	125,537
Interest expense	(731,654)	(697,878)
Net nonoperating revenues (expenses)	\$ 4,917,745	\$ 5,169,492
Income (loss) before capital contributions	\$ (1,888,213)	\$ 297,026
Capital contributions	\$ -	\$ 10,132,489
Change in net assets	\$ (1,888,213)	\$ 10,429,515
Net assets, beginning of year	21,723,180	11,293,665
Net assets, end of year	\$ 19,834,967	\$ 21,723,180

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Statement of Cash Flows Year Ended June 30, 2009 (With Comparative Totals for 2008)

	2009	2008
Cash flows from operating activities:		
Receipts from customers	\$ 11,589,756	\$ 11,851,963
Payments to suppliers	(3,739,846)	(3,448,988)
Payments to and for employees	(13,136,507)	(12,230,741)
Total cash flows provided by (used in) operating activities	\$ (5,286,597)	\$ (3,827,766)
Cash flows from noncapital and related financing activities:		
Government grants	\$ 5,560,882	\$ 5,741,833
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ (33,325)	\$ (123,260)
Capital contributions	-	10,132,489
Principal payments on debt	(380,000)	(10,240,000)
Interest paid on debt	(754,971)	(1,005,596)
Total cash flows provided by (used in) capital and related financing activities	\$ (1,168,296)	\$ (1,236,367)
Cash flows from investing activities:		
Interest income	\$ 88,517	\$ 125,537
Net increase (decrease) in cash and cash equivalents	\$ (805,494)	\$ 803,237
Cash and cash equivalents, beginning of year, as restated	6,059,632	5,256,395
Cash and cash equivalents, end of year	\$ 5,254,138	\$ 6,059,632
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (6,805,958)	\$ (4,872,466)
Adjustments to reconcile excess (deficiency) of revenues over expenses to cash used in operations:		
Depreciation	1,067,113	1,094,065
Loss on disposal of capital assets	1,864	-
Changes in assets and liabilities:		
Accounts receivable and due from other governments	313,918	(74,924)
Accounts payable and accrued expenses	188,789	(23,980)
Compensated absences	(52,323)	49,539
Total cash flows provided by (used in) operating activities	\$ (5,286,597)	\$ (3,827,766)

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

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements At June 30, 2009

NOTE 1--REPORTING ENTITY:

The Northwestern Regional Jail Authority was organized on May 26, 2005 pursuant to provisions of Chapter 3 of Title 53.1 of the *Code of Virginia*, (1950) as amended. The Authority serves as a regional jail for the Counties of Clarke, Fauquier, and Frederick and the City of Winchester. The Authority is considered a jointly governed organization of the participant localities. The Authority is the successor organization to the former Clark, Fauquier, Frederick, Winchester Regional Adult Detention Center.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

1. Enterprise Fund Accounting:

The Authority utilizes the enterprise fund method of accounting for financial reporting purposes. Enterprise fund accounting uses the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when incurred, regardless of when the cash flows occur.

Operating revenues and expenses are defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants investment and other income. Nonoperating expenses are defined as capital and noncapital related financing and other expenses.

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

2. Cash and Cash Equivalents:

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term, highly liquid investments (including repurchase agreements) with original maturities of three months or less. The Authority maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the *Code of Virginia*. The Act requires financial institutions to meet specific collateralization requirements.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

3. Investments:

Investments are reported at fair value.

4. Capital Assets:

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value at the date of gift. The Authority's capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Costs of construction include legal, bond and loan closing costs, plus interest costs less interest earned on construction funds during the period of construction. There was no interest capitalized during the year.

Depreciation is provided using the straight-line method over the estimated useful lives of each asset class as follows:

Building and improvements	40 to 50 years
Equipment, furniture and fixtures	5 to 10 years
Vehicles	5 to 7 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

5. Accrued Leave:

The Authority's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service. All employees earn the same sick pay rate regardless of the length of service. Maximum annual leave accumulation hours are the hours allowable at the time of separation or at the end of any calendar year.

Employees terminating their employment are paid, by the Authority, their accumulated annual leave up to the maximum limit. Unused sick leave is paid at the date of separation, but is limited to 25% of amounts unused upon termination up to \$2,500.

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of leave recognized as expense is the amount earned during the year.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

6. Revenue Recognition:

Revenues for charges for services to participant localities are based on prisoner days for each locality and are recorded when due. Year-end settlements are made with each participant locality and amounts due are reported as receivables and amounts overpaid are reported as deferred revenues.

The Commonwealth of Virginia provides funding for operations and also provides funding for state prisoners held on a per-diem basis.

7. Use of Estimates:

The preparation of financial statements in conformity with U.S. 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.

8. Allowance for Uncollectible Accounts:

The Authority calculates its allowance for specific accounts using historical collection data and, in certain cases, specific account analysis. Historical collection data indicates that any uncollectible amounts would be negligible. Management believes that any accounts that may be written off would not be significant. Accordingly, no allowance for uncollectible accounts has been established.

9. Comparative Totals:

Comparative totals are presented for informational purposes only.

NOTE 3—DEPOSITS AND INVESTMENTS:

Frederick County acts as a fiscal agent and provides accounting for the general operating accounts of the Authority. The Authority's operating cash is included in the pooled cash and investments of Frederick County. The Authority is reported in the Frederick County Financial Report as an agency fund. In addition, the Authority maintains separate bank accounts for Canteen and Inmate funds. During the year, the Authority issued long-term debt and received funds for a jail expansion project. These funds are in the custody of the City of Winchester which is the fiscal agent for the jail expansion project.

Deposits:

At year-end, the carrying value of the Authority's deposits with banks and savings institutions as part of the Frederick County pooled cash and investments was \$4,686,308. Deposits held by the City of Winchester in a State Non-Arbitrage Program account was \$567,830. The bank balances are not separately determinable.

At June 30, 2009, all of the Authority's bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the pooled bank balances, no funds were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2009.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments:

As described above, the Authority's cash is included in the Frederick County pooled cash and Frederick County utilizes the Local Government Investment Pool, which consists of highly liquid unclassified investments. The amount of the Authority's equity in the pooled investment funds is not separately determinable.

NOTE 4—ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS:

	Accounts Receivable	Due from Other Governments
Commonwealth of Virginia	\$ -	\$ 815,987
Federal Government	-	38,923
Other	75,057	-
Total	\$ 75,057	\$ 854,910

NOTE 5—CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 600,375	\$ -	\$ -	\$ 600,375
Total capital assets not being depreciated	\$ 600,375	\$ -	\$ -	\$ 600,375
Capital assets being depreciated:				
Building and improvements	\$ 39,808,748	-	\$ 564,713	\$ 39,244,035
Equipment and vehicles	919,968	33,325	48,069	905,224
Total capital assets being depreciated	\$ 40,728,716	\$ 33,325	\$ 612,782	\$ 40,149,259
Less: Accumulated depreciation	8,578,100	1,067,113	46,205	9,599,008
Net capital assets being depreciated	\$ 32,150,616	\$ (1,033,788)	\$ 566,577	\$ 30,550,251
Net capital assets	\$ 32,750,991	\$ (1,033,788)	\$ 566,577	\$ 31,150,626

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 6--LONG-TERM DEBT:

The following is a summary of long-term debt activity for the year.

Balance payable, beginning of year	\$	16,320,000
Retirement of long-term debt:		
Revenue bonds		<u>(380,000)</u>
Balance payable, end of year	\$	<u>15,940,000</u>

The amounts required to amortize long-term debt are as follows:

Fiscal Year	Revenue Bonds	
	Principal	Interest
2010	\$ -	\$ 371,572
2011	395,000	736,725
2012	405,000	722,206
2013	425,000	706,669
2014	440,000	691,531
2015-2019	2,450,000	3,184,278
2020-2024	3,040,000	2,579,775
2025-2029	3,865,000	1,731,875
2029-2034	4,920,000	639,250
Total	\$ <u>15,940,000</u>	\$ <u>11,363,881</u>

Details of long-term debt are as follows:

	Total	Amount Due Within One Year
\$16,560,000, Revenue bonds, issued June 23, 2005, maturing in various annual installments through July 1, 2033, interest at rates from 3.00% to 4.00%.	\$ 15,940,000	\$ -
Total long-term obligations	\$ 15,940,000	\$ -
Add: Bond premium	607,943	39,757
Net long-term obligations	\$ <u>16,547,943</u>	\$ <u>39,757</u>

The Authority is in compliance with federal arbitrage regulations.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 7 —CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

In accordance with GASB accounting principles, the Authority has accrued the liability arising from all outstanding claims, judgments and compensated absences. The amount of accrued vacation, compensatory time and sick pay totaled \$965,262 at June 30, 2009. The estimated current portion of this liability is \$193,052.

NOTE 8—DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

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

The Authority contributes to the Virginia Retirement System (VRS).

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85 for sheriffs and if the employer elects, other employees in hazardous duty positions receiving enhanced benefits). 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 beginning their second year of retirement.

AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the website at <http://www.varetire.org/Pdf/publications/2008AnnuRep.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund 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 employer contribution rate for the fiscal year ended June 30, 2009 was 10.08% of annual covered payroll.

C. Annual Pension Cost:

For fiscal year 2009, the Authority's annual pension cost of \$1,109,253 was equal to the Authority's required and actual contributions.

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)[']</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2007	\$ 877,943	100%	\$ -
June 30, 2008	1,081,440	100%	-
June 30, 2009	1,109,253	100%	-

[']Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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 County/City/Town'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. County/City/Town'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, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the Authority's plan was 83.02% funded. The actuarial accrued liability for benefits was \$78,582,265, and the actuarial value of assets was \$65,239,903, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,342,362. The covered payroll (annual payroll of active employees covered by the plan) was \$31,695,052 and ratio of the UAAL to the covered payroll was 42.10%.

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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2009 (Continued)

NOTE 9—COMMITMENTS AND CONTINGENCIES:

At June 30, 2009 there were no matters of litigation that have been filed involving the Authority that would have a material effect on the Authority's financial position.

Federal assistance programs in which the Authority participated were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the above provisions, major and non-major programs were tested for compliance with applicable grant requirements. While there are no items of non-compliance, as noted in the compliance report, the federal government may subject grant programs to additional compliance testing which may result in disallowances of current grant program expenditures. However, management believes that if any of these expenditures were disallowed it would be immaterial to the overall general-purpose financial statements.

NOTE 10—INMATE AND OTHER ACCOUNTS:

The Authority maintains accounting for inmate and canteen (commissary) activity funds. The balance of the inmate funds was \$111,266.

The Canteen Fund activity is summarized below:

Cash balance, beginning of year	\$	106,934
Receipts:		
Canteen sales	\$	584,526
Interest		420
Total receipts	\$	584,946
Disbursements:		
Inmate programs	\$	440,551
Telephone charges		90,240
Other		3,576
Total disbursements	\$	534,367
Cash balance, end of year	\$	157,513

NOTE 11—PRIOR YEAR RECLASSIFICATION:

The following accounts have been reclassified as of June 30, 2008:

	Cash	Other Capital Assets	Fund Balance
Amounts reported at June 30, 2008	\$ 5,494,919	\$ 32,150,616	\$ 6,514,159
Reclassification:			
Investment misclassified as building	564,713	(564,713)	564,713
Amounts reported at July 1, 2008	\$ 6,059,632	31,585,903	7,078,872

NORTHWESTERN REGIONAL JAIL AUTHORITY

Required Supplementary Information Schedule of Funding Progress - County of Frederick, Virginia Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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County of Frederick, Virginia:

June 30, 2006	\$ 47,537,682	\$ 58,577,254	\$ 11,039,572	81.15%	\$ 25,614,884	43.10%
June 30, 2007	56,217,980	67,544,836	11,326,856	83.23%	29,281,543	38.68%
June 30, 2008	65,239,903	78,582,265	13,342,362	83.02%	31,695,052	42.10%

OTHER SUPPLEMENTARY INFORMATION

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenditures and Changes in Fund Balance Budgetary Basis Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual
Operating revenues:			
Care of prisoners:			
Local and other per diems	\$ 8,340,571	\$ 8,340,571	\$ 8,243,924
Commonwealth of Virginia jail costs	1,925,740	1,925,740	1,340,201
Federal	706,000	706,000	752,232
Work release	492,896	492,896	467,666
Recovered costs	-	-	40,977
Other	848,500	849,270	471,815
	<u>12,313,707</u>	<u>12,314,477</u>	<u>11,316,815</u>
Total charges for services	\$	\$	\$
Operating expenditures:			
Personnel	\$ 9,095,809	\$ 9,629,890	\$ 9,142,769
Fringes	4,296,350	4,363,673	3,993,738
Contractual	779,852	1,499,349	1,427,938
Other charges	3,588,540	3,018,984	2,541,674
Capital outlay	-	21,930	33,325
	<u>17,760,551</u>	<u>18,533,826</u>	<u>17,139,444</u>
Total operating expenses	\$	\$	\$
Net operating income (loss)	\$ (5,446,844)	\$ (6,219,349)	\$ (5,822,629)
Nonoperating revenues (expenses):			
Commonwealth of Virginia State			
Compensation Board	\$ 5,019,029	\$ 5,019,029	\$ 3,636,377
Other State grants	232,045	232,045	238,891
State Fiscal Stabilization Fund - ARRA	-	-	1,685,614
Principal payment on long-term debt	(380,000)	(380,000)	(380,000)
Interest and investment earnings	-	-	88,517
Interest expense	(737,926)	(737,926)	(754,971)
	<u>4,133,148</u>	<u>4,133,148</u>	<u>4,514,428</u>
Net nonoperating revenues (expenses)	\$	\$	\$
Excess (deficiency) of revenues over expenditures	\$ (1,313,696)	\$ (2,086,201)	\$ (1,308,201)
Fund balance, beginning of year, as restated	1,313,696	2,086,201	7,078,872
Fund balance, end of year	\$ -	\$ -	\$ 5,770,671

This schedule is presented on the budgetary basis of the Center which is prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis to the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2009

Fund balance, end of year	\$ 5,770,671
Add:	
Capital assets, net of accumulated depreciation	31,150,626
Bond issuance costs	426,875
Long-Term debt	(16,547,943)
Accrued leave	(965,262)
	<u>19,834,967</u>
Net Assets, per Statement of Net Assets	\$ <u>19,834,967</u>
Reconciliation of excess (deficiency) of revenues over expenditures to changes in net assets per the Statement of Revenues, Expenses and Changes in Net Assets:	
Excess (deficiency) of revenues over expenditures	\$ (1,308,201)
Increase in accrued leave	52,323
Capital assets capitalized	33,325
Principal payment on long-term debt	380,000
Depreciation expense	(1,067,113)
Amortization of bond premium	23,317
Loss on disposition of capital assets	(1,864)
	<u>(1,888,213)</u>
Changes in net assets	\$ <u>(1,888,213)</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, Virginia

We have audited the financial statements of the Northwestern Regional Jail Authority, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 21, 2009. 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 Northwestern 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 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

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

Robinson, Turner, Cox Associates

Charlottesville, Virginia
December 21, 2009

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Members of the Board
Northwestern Regional Jail Authority
Winchester, Virginia

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Northwestern Regional Jail Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Northwestern Regional Jail Authority's compliance with those requirements.

In our opinion, the Northwestern Regional Jail Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Robinson, Turner, Cox Associates

Charlottesville, Virginia
December 21, 2009

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</u>	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
Department of Education:		
Pass Through Payments:		
Virginia Compensation Board:		
ARRA - State Fiscal Stabilization Fund	84.397	\$ <u>1,685,614</u>
Total Department of Education		\$ <u>1,685,614</u>
Total Expenditures of Federal Awards - Reporting Entity		\$ <u><u>1,685,614</u></u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the Northwestern Regional Jail Authority. The Authority's reporting entity is defined in Note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Authority's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Total per statement of revenues, expenses, and changes in net assets	\$ <u>1,685,614</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>1,685,614</u>
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NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.397	State Fiscal Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings and Questioned Costs

There are no prior year findings and questioned costs to report.