



**Northwestern Regional Jail Authority**

**Winchester, Virginia**

**Financial Report**  
**Year Ended June 30, 2010**

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Northwestern Regional Jail Authority

Winchester, Virginia

Financial Report  
Year Ended June 30, 2010

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## **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 10, 2010

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 2010 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

The Northwestern Regional Adult Detention Center is a regional governmental agency, with representation from each participating jurisdiction, and is considered to be a jointly governed organization.

## ECONOMIC CONDITIONS AND OUTLOOK

The Northwestern Regional Adult Detention Center is located in the Fort Collier Industrial Park, just northwest of Winchester, Virginia. Situated on a 33-acre parcel of land, the Detention

## Northwestern Regional Jail Annual Financial Report

Center complex consists of a Main Jail, an Annex Facility and a Community Corrections Center. The Main Jail and Annex include 619 adult, direct supervision beds. The Community Corrections Center includes 204-beds intended for alternative and special program inmates.

The Detention Center's Expansion Project, begun in 2004, formally ended in May 2007 with the opening of a 96 bed, medium security addition to the Main Jail. Completion of the project provided space to alleviate the overcrowding which existed and increased the number of inmate holding cells proportionately. The expansion included classroom and office space to accommodate inmate education and training programs.

The 2004, state-mandated Community Based Corrections Plan (CBCP) projected a local average inmate population of approximately 637 inmates by June 2008. The actual average population in 2008 was slightly lower at 624 including federal prisoners and inmates from other jurisdictions. Since 2008 however, the inmate population has continued to decline and at the end of FY10 averaged 555 each day.

A significant number of physical plant improvements have been made since completion of the expansion project and the Jail's Management team remains committed to the development of a 5-year facility maintenance and improvement plan during the remaining portion of FY10.

### 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, with four accounting personnel, who oversee accounting operations and reports financial data to Frederick County, the State of Virginia, and the Regional Jail Authority.

Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances generally are re-appropriated as part of the following year's budget.

The Captain of Administrative Services oversees Inmate and Commissary Funds, and exercises control of the Inmate Benefit Program. Inmate funds include all monies accrued by inmates for their personal use, i.e.; payment of their outside bills; family support; commissary purchases; and their telephone calls.

Commissary funds are profits accrued from inmate commissary purchases and are used to benefit inmates and their activities. These benefits include communal newspapers, television, microwaves, books, law library materials, games, sports equipment, exercise equipment, special rewards, programs designed to train, inform, or educate inmates, and a myriad of other programs.

# Northwestern Regional Jail Annual Financial Report

## 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 long horizontal flourish extending to the right.

Bruce R. Conover  
Superintendent

Audit08letter/jw

## 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, 2010, 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 2009 financial statements, and in our report dated December 21, 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, 2010, 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 January 4, 2011, 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 should be considered in 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 respects in relation to the basic financial statements taken as a whole.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
January 4, 2011

## Management's Discussion and Analysis

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The following is a discussion and analysis of the Northwestern Regional Jail Authority's financial performance for the fiscal year ended June 30, 2010. 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 \$18,533,335, a decrease of \$1,301,632 from the prior year.

The Northwestern Regional Jail holds long-term debt of \$15,545,000; consisting of Revenue Bonds payable in annual installments for 30 years.

### Overview:

Comparison of revenues and expenses from fiscal year 2009 to 2010 provide the following information:

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

Fiscal year 2010 revenues were \$15,355,562; fiscal year 2010 expenses were \$16,657,194.

Applying the annual inmate average daily population (ADP) rate to expenditures, an inmate cost per annum was derived for fiscal year 2009 and 2010 for comparison. With an ADP of 563 in FY 09, the cost per annum per inmate amounted to \$33,413. In FY 2010 ADP decreased to 555 and the per annum cost per inmate decreased to \$30,013.

FY10 represented a second consecutive year of a reduction in the inmate population. After highs of 624 and 563 in FY08 and FY09, respectively, the FY10 average daily population (ADP) declined to 555 inmates. Females represented approximately 17% of the ADP. Approximately 23% of the ADP was state-responsible inmates. On average, 15 of the 555 inmates in custody were categorized as being out of compliance, a statistic consistent with the FY09 rate.

There were 186 fewer jail admissions in FY10 than in FY09. A total of 5497 commitments were processed in FY10, a number representing a downward trend which began in FY08 when a high of 6340 intakes occurred.

Locally, Frederick County's use of the Jail continued to increase while proportionately Winchester's declined. In FY10, 43.8% of the total inmate days accumulated during the year resulted from Frederick County incarcerations, an increase from 41% the year before. Winchester's percentage of total Jail use continued its downward trend reaching an all-time low of 35.4%. Changes in the Clarke and Fauquier populations were statistically insignificant.

Traditionally representing approximately 3% of the Jail's population, the agreement with the Federal Bureau of Prisons to maintain federal inmates locally ended on May 31, 2010. Driven by the state's program to withhold up to \$26.00 in state per diem for each federal inmate held locally, the decision to terminate the intergovernmental agreement also contributed another 20 beds to the pool available to sustain closure of the Jail's Annex building.

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 FY09 and FY10 was minimal.

FY2009 assets	\$31,150,626	FY2010 assets	\$30,069,697
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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 FY09 to FY10.

FY2009 accrual	\$965,262	FY2010 accrual	\$971,416
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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, 2010**

**(With Comparative Totals for 2009)**

	<b>2010</b>	<b>2009</b>
<hr/>		
<b>ASSETS</b>		
<hr/>		
<b><u>Assets:</u></b>		
Current assets:		
Cash and cash equivalents	\$ 4,621,057	\$ 5,254,138
Accounts receivable	75,983	75,057
Due from other governments	713,701	854,910
Total current assets	<u>\$ 5,410,741</u>	<u>\$ 6,184,105</u>
Noncurrent assets:		
Land	\$ 600,375	\$ 600,375
Other capital assets, net of accumulated depreciation	29,469,322	30,550,251
Net capital assets	<u>\$ 30,069,697</u>	<u>\$ 31,150,626</u>
Bond issuance cost, less accumulated amortization	<u>\$ 409,800</u>	<u>\$ 426,875</u>
Total assets	<u>\$ 35,890,238</u>	<u>\$ 37,761,606</u>
<hr/>		
<b>LIABILITIES</b>		
<hr/>		
<b><u>Liabilities:</u></b>		
Current liabilities:		
Accounts payable	\$ 272,301	\$ 413,434
Accrued compensated absences, current portion	194,283	193,052
Bond premium, current portion	39,070	39,757
Total current liabilities	<u>\$ 505,654</u>	<u>\$ 646,243</u>
Long-term liabilities:		
Accrued compensated absences, less current portion	\$ 777,133	\$ 772,210
Bonds payable, noncurrent portion	15,545,000	15,940,000
Bond premium, noncurrent portion	529,116	568,186
Total noncurrent liabilities	<u>\$ 16,851,249</u>	<u>\$ 17,280,396</u>
Total liabilities	<u>\$ 17,356,903</u>	<u>\$ 17,926,639</u>
<hr/>		
<b>NET ASSETS</b>		
<hr/>		
<b><u>Net Assets:</u></b>		
Invested in capital assets, net of related debt	\$ 13,956,511	\$ 14,602,683
Unrestricted	4,576,824	5,232,284
Total net assets	<u>\$ 18,533,335</u>	<u>\$ 19,834,967</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, 2010**  
**(With Comparative Totals for 2009)**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Care of prisoners:		
Local and other per diems	\$ 7,662,456	\$ 8,243,924
Commonwealth of Virginia jail costs	1,345,106	1,340,201
Federal	363,517	752,232
Work release	403,871	467,666
Other	<u>337,321</u>	<u>469,951</u>
Total operating revenues	\$ <u>10,112,271</u>	\$ <u>11,273,974</u>
Operating expenses:		
Personnel	\$ 8,292,729	\$ 9,094,164
Fringes	3,762,875	3,990,020
Contractual	839,317	1,427,938
Other charges	1,960,882	2,500,697
Depreciation	<u>1,080,929</u>	<u>1,067,113</u>
Total operating expenses	\$ <u>15,936,732</u>	\$ <u>18,079,932</u>
Net operating income (loss)	\$ <u>(5,824,461)</u>	\$ <u>(6,805,958)</u>
Nonoperating revenues (expenses):		
Commonwealth of Virginia State Compensation Board	\$ 595,857	\$ 3,636,377
Other State grants	278,793	238,891
Justice Assistance Grant - ARRA	322,679	-
State Fiscal Stabilization Fund - ARRA	3,981,695	1,685,614
Interest and investment earnings	64,267	88,517
Interest expense	<u>(720,462)</u>	<u>(731,654)</u>
Net nonoperating revenues (expenses)	\$ <u>4,522,829</u>	\$ <u>4,917,745</u>
Change in net assets	\$ (1,301,632)	\$ (1,888,213)
Net assets, beginning of year	<u>19,834,967</u>	<u>21,723,180</u>
Net assets, end of year	\$ <u><u>18,533,335</u></u>	\$ <u><u>19,834,967</u></u>

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, 2010 (With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$ 10,252,554	\$ 11,589,756
Payments to suppliers	(2,941,332)	(3,739,846)
Payments to and for employees	<u>(12,049,450)</u>	<u>(13,136,507)</u>
Net cash flows provided by (used in) operating activities	\$ <u>(4,738,228)</u>	\$ <u>(5,286,597)</u>
Cash flows from noncapital and related financing activities:		
Government grants	\$ <u>5,179,024</u>	\$ <u>5,560,882</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ -	\$ (33,325)
Principal payments on debt	(395,000)	(380,000)
Interest paid on debt	<u>(743,144)</u>	<u>(754,971)</u>
Net cash flows provided by (used in) capital and related financing activities	\$ <u>(1,138,144)</u>	\$ <u>(1,168,296)</u>
Cash flows from investing activities:		
Interest income	\$ <u>64,267</u>	\$ <u>88,517</u>
Net increase (decrease) in cash and cash equivalents	\$ (633,081)	\$ (805,494)
Cash and cash equivalents, beginning of year	<u>5,254,138</u>	<u>6,059,632</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,621,057</u></u>	<u><u>\$ 5,254,138</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (5,824,461)	\$ (6,805,958)
Adjustments to reconcile excess (deficiency) of revenues over expenses to cash used in operations:		
Depreciation	1,080,929	1,067,113
Loss on disposal of capital assets	-	1,864
Changes in assets and liabilities:		
Accounts receivable and due from other governments	140,283	313,918
Accounts payable	(141,133)	188,789
Compensated absences	<u>6,154</u>	<u>(52,323)</u>
Net cash flows provided by (used in) operating activities	\$ <u><u>(4,738,228)</u></u>	\$ <u><u>(5,286,597)</u></u>

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



# NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
At June 30, 2010

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## NOTE 1—REPORTING ENTITY:

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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:

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### Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). 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 value. 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, 2010 (Continued)

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

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### 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	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, 2010 (Continued)

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

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#### 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:

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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 \$4,051,453. Deposits held by the City of Winchester in a State Non-Arbitrage Program account was \$569,604. The bank balances are not separately determinable.

At June 30, 2010, 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, 2010.

# NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
At June 30, 2010 (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	\$ -	\$ 706,323
Federal Government	-	7,378
Other	75,983	-
Total	\$ 75,983	\$ 713,701

## 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	\$ 39,244,035	\$ -	\$ -	\$ 39,244,035
Equipment and vehicles	905,224	-	-	905,224
Total capital assets being depreciated	\$ 40,149,259	\$ -	\$ -	\$ 40,149,259
Less: Accumulated depreciation	9,599,008	1,080,929	-	10,679,937
Net capital assets being depreciated	\$ 30,550,251	\$ (1,080,929)	\$ -	\$ 29,469,322
Net capital assets	\$ 31,150,626	\$ (1,080,929)	\$ -	\$ 30,069,697

**NORTHWESTERN REGIONAL JAIL AUTHORITY**

Notes to Financial Statements  
At June 30, 2010 (Continued)

**NOTE 6—LONG—TERM DEBT:**

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

Balance payable, beginning of year	\$	15,940,000
Retirement of long-term debt:		
Revenue bonds		<u>(395,000)</u>
Balance payable, end of year	\$	<u><u>15,545,000</u></u>

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

Fiscal Year	Revenue Bonds	
	Principal	Interest
2011	\$ -	\$ 365,153
2012	405,000	722,206
2013	425,000	706,669
2014	440,000	691,531
2015	455,000	675,584
2016-2020	2,550,000	3,078,744
2021-2025	3,185,000	2,431,475
2026-2030	4,055,000	1,533,875
2031-2034	4,030,000	415,500
Total	\$ <u><u>15,545,000</u></u>	\$ <u><u>10,620,737</u></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%.	\$ 15,545,000	\$ -
Total long-term obligations	\$ 15,545,000	\$ -
Add: Bond premium	568,186	39,070
Net long-term obligations	\$ <u><u>16,113,186</u></u>	\$ <u><u>39,070</u></u>

The Authority is in compliance with federal arbitrage regulations.

## NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
At June 30, 2010 (Continued)

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### NOTE 7 —CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:

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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 \$971,416 at June 30, 2010. The estimated current portion of this liability is \$194,283.

### NOTE 8—DEFINED BENEFIT PENSION PLAN:

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#### 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, for 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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year.

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/2009-Annual-Report.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, 2010 (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 contribution rate for the fiscal year ended June 30, 2010 was 10.08% of annual covered payroll.

#### C. Annual Pension Cost:

For fiscal year 2010, the Authority's annual pension cost of \$1,052,326 was equal to the Authority's required and actual contributions.

#### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)<sup>1</sup></u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 1,081,440	100%	\$ -
June 30, 2009	1,109,253	100%	-
June 30, 2010	1,052,326	100%	-

<sup>1</sup>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 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 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, 2007 was 20 years.

#### D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the Authority's plan was 81.81% funded. The actuarial accrued liability for benefits was \$86,850,695, and the actuarial value of assets was \$71,050,795, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,799,900. The covered payroll (annual payroll of active employees covered by the plan) was \$32,339,777 and ratio of the UAAL to the covered payroll was 48.86%.

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

## NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements  
At June 30, 2010 (Continued)

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### NOTE 9—COMMITMENTS AND CONTINGENCIES:

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At June 30, 2010 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:

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The Authority maintains accounting for inmate and canteen (commissary) activity funds. The balance of the inmate funds was \$151,583.

The Canteen Fund activity is summarized below:

<b>Cash balance, beginning of year</b>	<b>\$</b>	<b>157,513</b>
<b>Receipts:</b>		
Canteen sales	\$	616,395
Interest		1,297
Total receipts	\$	617,692
<b>Disbursements:</b>		
Inmate programs	\$	643,277
Telephone charges		2,346
Other		1,859
Total disbursements	\$	647,482
<b>Cash balance, end of year</b>	<b>\$</b>	<b>127,723</b>



## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHWESTERN REGIONAL JAIL AUTHORITY**

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

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

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%
June 30, 2009	71,050,795	86,850,695	15,799,900	81.81%	32,339,777	48.86%

## **OTHER SUPPLEMENTARY INFORMATION**

**NORTHWESTERN REGIONAL JAIL AUTHORITY**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Basis**  
**Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Operating revenues:			
Care of prisoners:			
Local and other per diems	\$ 7,658,589	\$ 7,658,589	\$ 7,662,456
Commonwealth of Virginia jail costs	1,610,975	1,610,975	1,345,106
Federal	438,000	438,000	363,517
Work release	421,575	421,575	403,871
Recovered costs	176,607	176,607	176,607
Other	389,050	392,752	337,321
	<u>10,694,796</u>	<u>10,698,498</u>	<u>10,288,878</u>
Total charges for services	\$ 10,694,796	\$ 10,698,498	\$ 10,288,878
Operating expenditures:			
Personnel	\$ 8,768,215	\$ 8,799,963	\$ 8,287,012
Fringes	4,075,523	4,090,298	3,762,438
Contractual	876,937	982,037	839,317
Other charges	2,440,273	2,404,195	2,137,489
	<u>16,160,948</u>	<u>16,276,493</u>	<u>15,026,256</u>
Total operating expenses	\$ 16,160,948	\$ 16,276,493	\$ 15,026,256
Net operating income (loss)	\$ (5,466,152)	\$ (5,577,995)	\$ (4,737,378)
Nonoperating revenues (expenses):			
Commonwealth of Virginia State			
Compensation Board	\$ 5,394,251	\$ 5,394,251	\$ 595,857
Other State grants	210,045	262,375	278,793
Justice Assistance Grant - ARRA	-	-	322,679
State Fiscal Stabilization Fund - ARRA	-	-	3,981,695
Interest and investment earnings	-	-	64,267
Principal payment on long-term debt	(395,000)	(395,000)	(395,000)
Interest expense	(743,144)	(849,614)	(743,144)
	<u>4,466,152</u>	<u>4,412,012</u>	<u>4,105,147</u>
Net nonoperating revenues (expenses)	\$ 4,466,152	\$ 4,412,012	\$ 4,105,147
Excess (deficiency) of revenues over expenditures	\$ (1,000,000)	\$ (1,165,983)	\$ (632,231)
Fund balance, beginning of year	1,000,000	1,165,983	5,770,671
Fund balance, end of year	\$ -	\$ -	\$ 5,138,440

This schedule is presented on the budgetary basis of the Authority 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, 2010

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Fund balance, end of year	\$ 5,138,440
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Add:

Capital assets, net of accumulated depreciation	30,069,697
Bond issuance costs	409,800
Long-Term debt	(16,113,186)
Accrued leave	<u>(971,416)</u>

Net Assets, per Statement of Net Assets	\$ <u>18,533,335</u>
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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	\$ (632,231)
Increase in accrued leave	(6,154)
Principal payment on long-term debt	395,000
Depreciation expense	(1,080,929)
Amortization of bond premium	<u>22,682</u>

Changes in net assets	\$ <u>(1,301,632)</u>
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## **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, 2010, and have issued our report thereon dated January 4, 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 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 *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 of Directors, management, 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

January 4, 2011



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 Independent Auditors' Report

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

### Compliance

We have audited the Northwestern Regional Jail Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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, 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, Tanner, Cox Associates*

Charlottesville, Virginia

January 4, 2011

**NORTHWESTERN REGIONAL JAIL AUTHORITY**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

<b>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Department of Justice:</b>			
Pass Through Payments:			
Virginia Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant program/grants to states and territories	16.803	2009-SU-B9-0033	\$ <u>322,679</u>
Total Department of Justice			\$ <u>322,679</u>
<b>Department of Education:</b>			
Pass Through Payments:			
Virginia Compensation Board:			
ARRA - State Fiscal Stabilization Fund	84.397	N/A	\$ <u>3,981,695</u>
Total Department of Education			\$ <u>3,981,695</u>
Total Expenditures of Federal Awards			\$ <u><u>4,304,374</u></u>

See accompanying notes to schedule of expenditures of federal awards.

## NORTHWESTERN REGIONAL JAIL AUTHORITY

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

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#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Northwestern Regional Jail Authority under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Northwestern Regional Jail Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Northwestern Regional Jail Authority.

#### Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

#### 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>4,304,374</u>
Total federal expenditures per the Schedule of Expenditures	
of Federal Awards	\$ <u><u>4,304,374</u></u>

## NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

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

#### Financial Statements

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

#### Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 Section 510(a) of OMB Circular A-133	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
16.803	Edward Byrne Memorial Justice Assistance Grant
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.