

NORTHWESTERN REGIONAL JAIL AUTHORITY

WINCHESTER, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

Northwestern Regional Jail Authority
Winchester, Virginia

Financial Report
Year Ended June 30, 2013

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Northwestern Regional Jail Authority
Winchester, Virginia

Financial Report
Year Ended June 30, 2013

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- INTRODUCTORY SECTION -

Northwestern Regional Adult Detention Center

James F. Whitley – Superintendent

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



December 13, 2013

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 2013 is attached. To the best of our knowledge the data is accurate and accurately represents the financial position of the Regional Adult Detention Center in a fair and objective manner.

Beginning with the June 30, 2002 Comprehensive Financial Statement, Frederick County, Virginia implemented 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 Center complex consists of a Main Jail, an Annex Facility and a Community Corrections Center.

"Serving the Criminal Justice System Since 1991"

Detention Center operations are funded by the four (4) participating jurisdictions based upon their individual utilization of facility beds over the three (3) previous complete years. Local contributions are augmented by state assistance in the area of salaries and inmate per diem. In addition, some fees are collected from inmates and their associated activities.

Economic conditions at the state level continue to impact negatively upon state assistance levels. However, there has been a slight increase of state funding from FY11 to FY13 of about 1.6%. Although the Detention Center tried to remain at reduced expenses over the last few fiscal years, a state mandated increase to VRS contributions, an increase to the Life insurance premiums, and rising inmate health care costs made it impossible for expenses to be reduced, causing increases each year in the contributions required of the participating jurisdictions.

Although conditions are expected to improve it is unlikely that state assistance will return to FY08 levels. As a consequence, the increased financial burden imposed upon the jurisdictions will remain at the FY13 or higher level for the foreseeable future.

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 report 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.

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,



James F. Whitley
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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northwestern Regional Jail Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Northwestern Regional Jail Authority, as of June 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-5 and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Northwestern Regional Jail Authority's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Northwestern Regional Jail Authority's 2012 financial statements, and our report dated February 6, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwestern Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
February 3, 2014

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, 2013. This information is in conjunction with the Superintendent's transmittal letter and included with the annual audit report.

Financial Highlights:

Accrual Basis Statements

At the end of the fiscal year, the Northwestern Regional Jail reported an ending net position balance of \$15,347,378, a decrease of \$1,424,631 from the prior year.

The Northwestern Regional Jail holds long-term debt of \$17,777,500; consisting of Revenue Bonds payable in annual installments for 30 years and VRA Bonds payable in annual installments for 15 years.

Modified Accrual and Budgetary Audit Statements

At the end of the fiscal year, the Northwestern Regional Jail reported an ending fund balance of \$6,378,876, an increase of \$1,238,282.

Overview:

Comparison of revenues and expenses from fiscal year 2012 to 2013 provide the following information:

Accrual Basis Statements

- Fiscal year 2013 revenues were \$16,889,229; fiscal year 2013, expenses were \$18,313,860, which included \$1,133,428 of depreciation expense, which is a noncash expense.
- Fiscal year 2012 revenues were \$15,904,770; fiscal year 2012 expenses were \$16,559,698, which included \$1,106,512 of depreciation expense, which is a noncash expense.

Modified Accrual and Budgetary Basis Statements

- In fiscal year 2013 the Jail's revenues were \$16,889,229, an increase of \$611,304 from 2012 revenues of \$16,277,925.
- In fiscal year 2013 the Jail's expenditures were \$17,747,788, an increase of \$937,535 from 2012 expenditures of \$16,810,253.
- In fiscal year 2013, the Jail's revenues of \$16,889,229 are under expenditures of \$17,747,788 by \$858,559.

Budgetary Overview

In fiscal year 2013 the Jail's revenues of \$16,889,229 were under budgeted revenues of \$16,895,038 by \$5,809. The Jail's expenditures of \$17,747,788 are under budgeted expenditures of \$18,392,399 by \$644,611.

Additional Analysis

Applying the annual inmate average daily population (ADP) rate to expenditures, an average per annum was derived for fiscal year 2012 and 2013 for comparison. With an ADP of 569 inmates per day in FY12, the per annum cost per inmate was approximately \$28,137. In FY13, the ADP was 590 and the per annum cost rose slightly too approximately \$29,313.

There was an increase in FY13 in the number of Out of Compliance inmates occupying beds in the Detention Center. Out of Compliance inmates, those state responsible inmates remaining in local custody 90 or more days after sentencing, decreased from an average of 37 individuals in FY12 to 31 in FY13.

As occurred in FY12, fluctuations in the jurisdiction’s use of the Detention Center over the previous three (3) years created significant changes in the distribution of locality shares. In FY13, Frederick County’s share of the cost of operations increased from 41.97% in FY12 to 44.33% in FY13 while the shares of Fauquier and Winchester decreased. Clarke County’s share increased slightly from 4.23% to 4.91%.

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 FY12 and FY13 was minimal.

FY2013 assets	\$27,567,117	FY2012 assets	\$28,438,385
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The long-term liabilities indicated in the audit are bonds payable and reserves held for payment of accrued compensated absences less deferred charge on refunding. These liabilities reflect an increase from FY12 to FY13, due to increase of revenue and refunding bonds.

FY2013 accrual	\$18,598,615	FY2012 accrual	\$16,806,970
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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 Position

At June 30, 2013

(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 6,173,112	\$ 4,669,770
Accounts receivable	77,272	70,652
Due from other governments	722,981	733,238
Total current assets	<u>\$ 6,973,365</u>	<u>\$ 5,473,660</u>
Noncurrent assets:		
Land and construction in progress	\$ 600,375	\$ 600,375
Other capital assets, net of accumulated depreciation	26,966,742	27,838,010
Net capital assets	<u>\$ 27,567,117</u>	<u>\$ 28,438,385</u>
Total noncurrent assets	<u>\$ 27,567,117</u>	<u>\$ 28,438,385</u>
Total assets	<u>\$ 34,540,482</u>	<u>\$ 33,912,045</u>
<hr/>		
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	\$ 920,595	\$ -
<hr/>		
LIABILITIES		
<hr/>		
Current liabilities:		
Accounts payable	\$ 594,489	\$ 333,066
Compensated absences, current portion	246,605	211,121
Bonds payable, current portion	507,500	455,000
Bond premium, current portion	63,525	44,785
Total current liabilities	<u>\$ 1,412,119</u>	<u>\$ 1,043,972</u>
Noncurrent liabilities:		
Compensated absences, less current portion	\$ 986,422	\$ 844,484
Bonds payable, less current portion	17,270,000	14,740,000
Bond premium, less current portion	445,158	511,580
Total noncurrent liabilities	<u>\$ 18,701,580</u>	<u>\$ 16,096,064</u>
Total liabilities	<u>\$ 20,113,699</u>	<u>\$ 17,140,036</u>
<hr/>		
NET POSITION		
Net investment in capital assets	\$ 11,427,361	\$ 13,254,304
Unrestricted	3,920,017	3,517,705
Total net position	<u>\$ 15,347,378</u>	<u>\$ 16,772,009</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 Position
 Year Ended June 30, 2013
 (With Comparative Totals for 2012)

	2013	2012
Operating revenues:		
Care of prisoners:		
Local and other per diems	\$ 9,531,356	\$ 8,963,617
Commonwealth of Virginia jail costs	1,090,386	1,086,982
Federal	1,935	1,892
Work release	370,882	354,537
Other	408,880	321,159
Total operating revenues	\$ 11,403,439	\$ 10,728,187
Operating expenses:		
Personnel	\$ 9,171,212	\$ 8,084,558
Fringes	3,806,520	3,636,145
Contractual	885,607	1,073,595
Other charges	2,347,313	1,952,076
Depreciation	1,133,428	1,106,512
Total operating expenses	\$ 17,344,080	\$ 15,852,886
Net operating income (loss)	\$ (5,940,641)	\$ (5,124,699)
Nonoperating revenues (expenses):		
Commonwealth of Virginia State Compensation Board	\$ 4,973,170	\$ 4,906,055
Other State grants	484,597	249,097
Interest and investment earnings	28,023	21,431
Interest expense and bond issuance costs	(969,780)	(706,812)
Net nonoperating revenues (expenses)	\$ 4,516,010	\$ 4,469,771
Change in net position	\$ (1,424,631)	\$ (654,928)
Net position, beginning of year, as restated	16,772,009	17,426,937
Net position, end of year	\$ 15,347,378	\$ 16,772,009

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, 2013
(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Receipts from customers	\$ 11,407,076	\$ 10,718,275
Payments to suppliers	(2,971,497)	(2,958,325)
Payments to and for employees	(12,800,310)	(11,666,850)
Net cash flows provided by (used for) operating activities	<u>\$ (4,364,731)</u>	<u>\$ (3,906,900)</u>
Cash flows from noncapital and related financing activities:		
Government grants	\$ 5,457,767	\$ 5,155,152
Cash flows from capital and related financing activities:		
Purchase of capital assets	\$ (262,160)	\$ (552,730)
Proceeds for issuance of long-term debt	16,824,523	-
Principal payments on debt	(15,195,182)	(440,000)
Issuance cost for issuance of debt	(303,596)	-
Interest paid on debt	(681,302)	(751,847)
Net cash flows provided by (used for) capital and related financing activities	<u>\$ 382,283</u>	<u>\$ (1,744,577)</u>
Cash flows from investing activities:		
Interest income	\$ 28,023	\$ 21,431
Net increase (decrease) in cash and cash equivalents	\$ 1,503,342	\$ (474,894)
Cash and cash equivalents, beginning of year	<u>4,669,770</u>	<u>5,144,664</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,173,112</u></u>	<u><u>\$ 4,669,770</u></u>
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:		
Net operating income (loss)	\$ (5,940,641)	\$ (5,124,699)
Adjustments to reconcile excess (deficiency) of revenues over expenses to cash used in operations:		
Depreciation	1,133,428	1,106,512
Changes in assets and liabilities:		
Accounts receivable and due from other governments	3,637	(9,912)
Accounts payable	261,423	67,346
Compensated absences	177,422	53,853
Net cash flows provided by (used for) operating activities	<u><u>\$ (4,364,731)</u></u>	<u><u>\$ (3,906,900)</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, 2013

NOTE 1 - FINANCIAL 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 (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

1. Basis of 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.

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 maturities of three months or less from the date of acquisition. 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.

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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

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

4. Capital Assets: (Continued)

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. Compensated Absences:

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 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.

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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

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

9. Comparative Totals:

Comparative totals are presented for informational purposes only.

10. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

11. Net Position

Net Position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

13. Adoption of Accounting Principles:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

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

13. Adoption of Accounting Principles: (Continued)

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in the restatement of net position described in Note 13.

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 \$3,716,696. Deposits held by the City of Winchester in a State Non-Arbitrage Program account were \$2,461,046. The bank balances are not separately determinable.

At June 30, 2013, 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, 2013.

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.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 4 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS:

	<u>Accounts Receivable</u>	<u>Due from Other Governments</u>
Commonwealth of Virginia	\$ -	\$ 716,300
Federal government	-	6,681
Other	77,272	-
Total	<u>\$ 77,272</u>	<u>\$ 722,981</u>

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 600,375	\$ -	\$ -	\$ 600,375
Total capital assets not being depreciated	<u>\$ 600,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600,375</u>
Capital assets being depreciated:				
Building and improvements	\$ 39,244,035	\$ -	\$ -	\$ 39,244,035
Equipment and vehicles	1,432,162	262,160	-	1,694,322
Total capital assets being depreciated	<u>\$ 40,676,197</u>	<u>\$ 262,160</u>	<u>\$ -</u>	<u>\$ 40,938,357</u>
Less: Accumulated depreciation:				
Building and improvements	\$ 11,987,780	\$ 1,058,968	\$ -	\$ 13,046,748
Equipment and vehicles	850,407	74,460	-	924,867
Total accumulated depreciation	<u>\$ 12,838,187</u>	<u>\$ 1,133,428</u>	<u>\$ -</u>	<u>\$ 13,971,615</u>
Net capital assets being depreciated	<u>\$ 27,838,010</u>	<u>\$ (871,268)</u>	<u>\$ -</u>	<u>\$ 26,966,742</u>
Net capital assets	<u>\$ 28,438,385</u>	<u>\$ (871,268)</u>	<u>\$ -</u>	<u>\$ 27,567,117</u>

NOTE 6 - LONG-TERM DEBT:

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

Balance payable, beginning of year	\$ 15,195,000
Issuance of long-term debt:	
Revenue and refunding bonds	16,400,000
Retirement of long-term debt:	
Revenue bonds	<u>(13,817,500)</u>
Balance payable, end of year	<u>\$ 17,777,500</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 6 - LONG-TERM DEBT: (Continued)

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

Fiscal Year	Revenue Bonds		VRA Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 492,500	\$ 567,344	\$ 15,000	\$ 22,622
2015	680,000	549,850	20,000	21,875
2016	700,000	528,025	25,000	20,772
2017	715,000	514,025	25,000	19,541
2018	745,000	485,425	30,000	18,206
2019-2023	4,090,000	2,058,325	185,000	65,903
2024-2028	4,810,000	1,346,250	165,000	12,447
2029-2033	5,080,000	543,275	-	-
Total	\$ 17,312,500	\$ 6,592,519	\$ 465,000	\$ 181,366

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%.	\$ 925,000	\$ 455,000
\$495,000, Virginia Resources Authority Infrastructure and State Moral Obligation Revenue bonds series 2011A, issued May 18, 2011, maturing in various annual installments through October 1, 2025, interest paid semiannually at rates from 2.125% to 5.125%.	465,000	15,000
\$16,400,000, Revenue and Refunding bonds series 2013, issued April 9, 2013, maturing in various annual installments through July 1, 2033, interest paid semiannually at rates from 2.00% to 4.00%.	16,387,500	37,500
Total long-term debt	\$ 17,777,500	\$ 507,500
Add: Bond premiums	508,683	63,525
Net long-term debt	\$ 18,286,183	\$ 571,025

The Authority is in compliance with federal arbitrage regulations.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 7 - COMPENSATED ABSENCES:

In accordance with GASB accounting principles, the Authority has accrued the liability arising from all compensated absences. The amount of accrued vacation, compensatory time and sick pay totaled \$1,233,027 at June 30, 2013. The estimated current portion of this liability is \$246,605.

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

A. Plan Description:

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN: (Continued)

A. Plan Description: (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected an enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

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, 2013 was 12.93% of annual covered payroll, which was the required rate given by VRS to the County of Frederick, the Authority's fiscal agent.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN: (Continued)

C. Annual Pension Cost:

For fiscal year 2013, the Authority's annual pension cost of \$1,431,577 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, 2011	\$ 1,042,134	100%	\$ -
June 30, 2012	1,026,545	100%	-
June 30, 2013	1,431,577	100%	-

'Employer portion only

The FY2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, 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 for Plan 1 members and 2.25% for Plan 2 members. Both the investment rate of return and 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan of the Authority's fiscal agent, in which the Authority participates, was 73.58% funded. The actuarial accrued liability for benefits was \$112,410,781, and the actuarial value of assets was \$82,710,375, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,700,406. The covered payroll (annual payroll of active employees covered by the plan) was \$30,272,787 and ratio of the UAAL to the covered payroll was 98.11%.

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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

As June 30, 2013 there is a pending lawsuit against the Authority seeking \$37,200,000 in compensatory damages and \$350,000 in punitive damages. The Authority is vigorously contesting these claims.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 10 - INMATE AND OTHER ACCOUNTS:

The Authority maintains accounting for inmate and canteen (commissary) activity funds. The balance of the inmate funds was \$150,949.

The Canteen Fund activity is summarized below:

Cash balance, beginning of year	\$ <u>72,909</u>
Receipts:	
Canteen sales	\$ <u>971,316</u>
Total receipts	\$ <u>971,316</u>
Disbursements:	
Inmate programs	\$ 1,029,735
Other	<u>1,005</u>
Total disbursements	\$ <u>1,030,740</u>
Cash balance, end of year	\$ <u><u>13,485</u></u>

NOTE 11 - OPERATING RESERVE FUND:

As a requirement of the jail expansion bond issue, the Authority is required to fund an operating reserve. At June 30, 2013 this fund totaled \$2,008,737.

NOTE 12 - PROBATION PROGRAM:

The financial activity for the Probation Program is included in the Authority's financial statements. The revenues and expenditures for the Probation Program for Fiscal Year 2013 are summarized below:

Revenues:	
Supervision fees	\$ 44,797
Drug testing fees	5,768
Revenue from the Commonwealth	<u>234,431</u>
Total revenues	\$ <u>284,996</u>
Expenditures:	
Personnel	\$ 183,567
Fringes	68,841
Contractual	1,445
Other charges	<u>19,776</u>
Total expenditures	\$ <u>273,629</u>
Excess of revenues over expenditures	\$ <u><u>11,367</u></u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Notes to Financial Statements
At June 30, 2013 (Continued)

NOTE 13 - RESTATEMENT OF NET POSITION:

Beginning net position was restated to reflect the write-off of bond issuance costs in accordance with GASB 65. The impact of this restatement on amounts previously reported is as follows:

	<u>2012</u>	<u>2011</u>
Net position as originally reported at July 1,	\$ 17,194,478	\$ 17,869,826
Implementation of GASB 65:		
Removal of bond issuance costs reflected in previously issued financial statements	<u>(422,469)</u>	<u>(442,889)</u>
Net position as restated at July 1, and reflected herein	<u>16,772,009</u>	<u>17,426,937</u>

- REQUIRED SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Pension 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, 2010	\$ 74,936,007	\$ 99,780,026	24,844,019	75.10%	\$ 31,058,541	79.99%
June 30, 2011	79,780,148	106,154,791	26,374,643	75.15%	30,561,457	86.30%
June 30, 2012	82,710,375	112,410,781	29,700,406	73.58%	30,272,787	98.11%

- OTHER SUPPLEMENTARY INFORMATION -

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budgetary Basis

Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
Operating revenues:			
Care of prisoners:			
Local and other per diems	\$ 9,032,725	\$ 9,524,502	\$ 9,531,356
Commonwealth of Virginia jail costs	975,355	975,355	1,090,386
Federal	-	-	1,935
Work release	499,800	499,800	370,882
Other	<u>379,618</u>	<u>410,083</u>	<u>408,880</u>
Total charges for services	\$ <u>10,887,498</u>	\$ <u>11,409,740</u>	\$ <u>11,403,439</u>
Operating expenditures:			
Personnel	\$ 8,149,527	\$ 9,126,671	\$ 9,006,398
Fringes	4,233,560	4,014,850	3,793,912
Contractual	1,125,318	1,117,837	885,607
Other charges	2,668,007	2,675,568	2,336,586
Capital outlay	<u>26,500</u>	<u>280,200</u>	<u>272,887</u>
Total operating expenses	\$ <u>16,202,912</u>	\$ <u>17,215,126</u>	\$ <u>16,295,390</u>
Net operating income (loss)	\$ <u>(5,315,414)</u>	\$ <u>(5,805,386)</u>	\$ <u>(4,891,951)</u>
Nonoperating revenues (expenses):			
Commonwealth of Virginia State Compensation Board	\$ 5,003,495	\$ 5,003,495	\$ 4,973,170
Other State grants	481,803	481,803	484,597
Interest and investment earnings	-	-	28,023
Principal payment on long-term debt	(467,500)	(467,500)	(467,500)
Interest expense and bond issuance costs	<u>(709,773)</u>	<u>(709,773)</u>	<u>(984,898)</u>
Net nonoperating revenues (expenses)	\$ <u>4,308,025</u>	\$ <u>4,308,025</u>	\$ <u>4,033,392</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(1,007,389)</u>	\$ <u>(1,497,361)</u>	\$ <u>(858,559)</u>
Other financing sources (uses):			
Issuance of long-term debt	\$ -	\$ -	\$ 16,824,524
Payment to bond escrow agent	<u>-</u>	<u>-</u>	<u>(14,727,683)</u>
Total other financing sources (uses)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,096,841</u>
Change in fund balance	\$ (1,007,389)	\$ (1,497,361)	\$ 1,238,282
Fund balance, beginning of year	<u>1,007,389</u>	<u>1,497,361</u>	<u>5,140,594</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,378,876</u>

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 Position and
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013**

Fund balance, end of year	\$	6,378,876
Add:		
Capital assets, net of accumulated depreciation		27,567,117
Deferred charge on refunding		920,595
Long-Term debt		(18,286,183)
Compensated absences		<u>(1,233,027)</u>
Net Position, per Statement of Net Position	\$	<u>15,347,378</u>
Reconciliation of excess (deficiency) of revenues over (under) expenditures to changes in net position per the Statement of Revenues, Expenses and Changes in Net Position:		
Change in fund balance	\$	1,238,282
(Increase) decrease in compensated absences		(177,422)
Issuance of long-term debt		(16,824,524)
Payment to bond escrow agent		14,727,683
Principal payment on long-term debt		467,500
Purchase of capital assets		262,160
Depreciation expense		(1,133,428)
Amortization of bond premium		<u>15,118</u>
Change in net position	\$	<u>(1,424,631)</u>

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Revenues
Year Ended June 30, 2013
(With Comparative Totals for 2012)

	2013	2012
Interest on investments and earnings	\$ 28,023	\$ 21,431
Commonwealth of Virginia jail costs	1,090,386	1,086,982
Commonwealth of Virginia State Compensation Board	4,973,170	4,906,055
Other State grants	484,597	249,097
Prisoner Housing:		
Federal	1,935	1,892
Work release	370,882	354,537
Miscellaneous	44,852	31,554
Telephone commissions	135,791	123,425
Food and staff reimbursements	113,156	103,638
Electronic monitoring fees	64,516	62,238
Drug testing fees	5,768	-
Client supervision fees	44,797	-
Employee meals supplement	-	304
Medical and health reimbursement	57,118	67,953
Recovered costs	-	373,155
Local Contributions:		
Clarke	465,137	376,287
Frederick	4,200,471	3,733,510
Winchester	3,473,847	3,495,106
Fauquier	1,334,783	1,290,761
Total revenues	<u>\$ 16,889,229</u>	<u>\$ 16,277,925</u>
% of Local Contributions:		
Clarke	4.91%	4.23%
Frederick	44.34%	41.97%
Winchester	36.67%	39.29%
Fauquier	14.09%	14.51%

The schedule has been prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

Schedule of Expenditures
Year Ended June 30, 2013
(With Comparative Totals for 2012)

	2013	2012
Personnel	\$ 9,006,398	\$ 8,034,532
Fringes	3,793,912	3,632,318
Professional Health Services	542,154	879,539
Professional Services	25,899	13,864
Repair and maintenance - equipment	54,714	27,806
Repair and maintenance - vehicle	8,971	10,761
Repair and maintenance - buildings and grounds	115,223	37,243
Repair and maintenance - security system	52,987	51,700
Maintenance service contracts	54,653	30,434
Printing and binding	6,539	3,687
Advertising	165	238
Contractual Services	24,302	18,323
Gasoline	883	-
Electrical Service	270,919	302,139
Heating Service	108,959	134,596
Water and Sewer	140,448	159,966
Postage and Telephone	48,252	38,561
Internet Access	12,180	6,210
Boiler Insurance	-	3,414
Fire Insurance	23,495	20,064
Motor Vehicle Insurance	5,771	5,925
Surety Bonds	735	735
General Liability Insurance	6,096	5,845
Line of Duty Program	28,770	28,560
Office Supplies	78,721	57,354
Food Supplies and Food Services	897,914	857,396
Food Service - Small Equipment	4,680	9,582
Agricultural Supplies	1,289	3,434
Medical and Laboratory	263,064	319,392
Laundry, Housekeeping, and Janitorial	96,941	103,901
Linen Supplies	14,317	18,737
Repair and Maintenance Supplies	45,169	41,511
Vehicle and Powered Equipment Supplies	2,014	601
Vehicle Tires and Parts	976	757
Vehicle Fuels and Lubricants	19,969	18,161
Police Supplies	15,614	28,830
Uniforms and Wearing Apparel	41,951	27,376
Inmate Uniforms and Wearing Apparel	25,717	21,274
Books and Subscriptions	-	717
Other Operating Supplies	34,224	25,745
Travel	75,483	64,822
Travel - Inmate Transports	487	334
Miscellaneous	46,288	-
Contingency for Maintenance and Repairs	-	3,202
Dues and Memberships	1,083	978
Payment of Unemployment Claims	10,176	-
Machinery and Equipment	272,887	35,170
Building Improvements	-	517,560
Lease/Rent of Equipment	14,001	13,111
Other SNAP Disbursements	-	2,001
Debt Service Payments		
Principal	467,500	440,000
Interest and bond issuance cost	984,898	751,847
Total expenditures	\$ <u>17,747,788</u>	\$ <u>16,810,253</u>

The schedule has been prepared on the modified accrual basis of accounting.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Schedule of Per Diem Rates and Per Diem Revenues
Last Five Fiscal Years**

Per Diem Rates

Fiscal Year Ending June 30,	Non- Participating Jurisdictions (Local)	Non- Participating Jurisdictions (Federal)
2013	\$ 79.32	\$ 79.32
2012	70.00	79.32
2011	70.00	70.00
2010	55.00	70.00
2009	41.00	55.00

Fiscal Year Ending June 30,	Clarke County	Fauquier County	Frederick County	City of Winchester	Participating Jurisdictions Per Diem Total	Non- Participating Jurisdictions, Including Federal
2013	\$ 465,137	\$ 1,334,783	\$ 4,200,471	\$ 3,473,847	\$ 9,474,238	\$ 2,193
2012	376,287	1,290,761	3,733,510	3,495,106	8,895,664	30,036
2011	427,776	1,409,816	3,388,829	3,557,480	8,783,901	17,941
2010	397,675	1,361,828	2,644,578	3,199,650	7,603,731	1,708,623
2009	449,815	1,618,320	2,846,011	3,541,026	8,455,172	2,221,368

NORTHWESTERN REGIONAL JAIL AUTHORITY

Demographic Information of the Service Area

The Authority's service area is spread over the area covered by the Participating Jurisdictions, all of which are located in the northwestern part of Virginia, near Maryland and West Virginia.

The following table shows the total population of the Participating Jurisdictions during the thirty-year period of 1980 to 2010 and the projected population in the year 2020.

<u>Locality</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>Projected 2020</u>
Clarke County	9,965	12,101	12,652	14,034	15,025
Fauquier County	35,889	48,860	55,139	65,203	74,118
Frederick County	34,150	45,723	59,209	78,305	97,192
City of Winchester	20,217	21,947	23,585	26,203	27,967
Total	<u>100,221</u>	<u>128,631</u>	<u>150,585</u>	<u>183,745</u>	<u>214,302</u>

Sources: Weldon-Cooper Center for Public Service, University of Virginia, for years 1980, 1990, 2000 and 2010.
Virginia Employment Commission for 2020 projections.

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Authority Inmate Population Statistics
Last Five Fiscal Years**

The tables below show the inmate population statistics for the last five fiscal years. The Authority accepts inmates from non-Participating Jurisdictions (including federal detainees) on a space-available basis.

Prisoner Man-Days

Fiscal Year Ending June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2013	7,802	36,473	96,705	78,445	2,290	21	221,736
2012	12,708	30,247	93,132	72,225	3,048	18	211,378
2011	12,505	30,039	91,154	71,643	3,327	30	208,698
2010	7,673	26,958	86,518	71,358	5,276	4,820	202,603
2009	8,564	25,413	81,657	71,491	6,235	12,072	205,432

Average Daily Population (ADP)

Fiscal Year Ending June 30,	From Clarke County	From Fauquier County	From Frederick County	From City of Winchester	Non-Participating Jurisdictions (other than Federal)	Federal	Total
2013	21.4	99.9	264.9	214.9	6.3	0.1	607.5
2012	34.7	82.8	254.3	197.3	8.3	0.0	577.4
2011	34.3	82.3	249.7	196.3	9.2	0.2	572.0
2010	21.1	73.9	237.0	195.6	14.4	13.3	555.3
2009	23.5	69.7	223.8	195.6	17.2	33.1	562.9

NORTHWESTERN REGIONAL JAIL AUTHORITY

**Participating Jurisdictions - Other Jail Facilities
Last Five Fiscal Years**

As described in the Regional Jail Agreement, all of the Participating Jurisdictions, except Fauquier County, are required to commit their respective prisoners to the Authority for housing in the Jail Facilities. Fauquier County sends its prisoners to the Jail Facilities on an as-needed basis. Fauquier County maintains its own jail facilities which have a rated capacity of 56 beds. The average daily inmate population housed in the Fauquier County jail facilities for the last five fiscal years is set out in the table below.

Fauquier County Adult Detention Center

Fiscal Year Ending June 30,	Rated Prisoner Capacity	Average Daily Inmate Population
2013	56	95
2012	56	106
2011	56	111
2010	56	109
2009	56	111

- COMPLIANCE SECTION -

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members
Northwestern Regional Jail Authority
Winchester, Virginia

We have audited, in accordance with the 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, the financial statements of the business-type activities of Northwestern Regional Jail Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Northwestern Regional Jail Authority's basic financial statements and have issued our report thereon dated February 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwestern Regional Jail Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwestern Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwestern Regional Jail Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwestern Regional Jail Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

February 3, 2014