



RSW REGIONAL JAIL AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

**RSW**

**REGIONAL JAIL AUTHORITY**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2012 and 2011**

**RSW  
REGIONAL JAIL AUTHORITY**

**AUTHORITY MEMBERS**

*Chairman*

Doug Stanley, County Administrator  
County of Warren, Virginia

*Vice Chairman*

Conrad Helsley, Board of Supervisors  
County of Shenandoah, Virginia

*Secretary/Treasurer*

John McCarthy, County Administrator  
County of Rappahannock, Virginia

Roger Welch  
Board of Supervisors  
County of Rappahannock

Connie Smith  
Sheriff  
County of Rappahannock

Doug Walker  
County Administrator  
County of Shenandoah

Tim Carter  
Sheriff  
County of Shenandoah

Glenn White  
Board of Supervisors  
County of Warren

Daniel McEathron  
Sheriff  
County of Warren

## TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditors' Report .....	1
 <b>Basic Financial Statements:</b>	
Exhibit 1    Statement of Net Assets .....	2
Exhibit 2    Statement of Cash Flows.....	3
Notes to Financial Statements .....	4-8
 <b>Compliance:</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	9-10

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

### TO THE BOARD OF THE RSW REGIONAL JAIL AUTHORITY WOODSTOCK, VIRGINIA

We have audited the accompanying financial statements of the business-type activities of the RSW Regional Jail Authority and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits 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 audits provide 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 business-type activities of the RSW Regional Jail Authority as of June 30, 2012 and 2011 and the changes in financial position and cash flows, 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 November 30, 2012, on our consideration of the RSW 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* and should be considered in assessing the results of our audit.

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2012

## **BASIC FINANCIAL STATEMENTS**

## RSW REGIONAL JAIL AUTHORITY

**Statement of Net Assets**  
**At June 30, 2012 and 2011**

<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
Current assets:		
Cash and cash equivalents	\$ 141	\$ 170
Total current assets	<u>\$ 141</u>	<u>\$ 170</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	\$ 5,208,202	\$ 2,964,679
Total noncurrent assets	<u>\$ 5,208,202</u>	<u>\$ 2,964,679</u>
Total assets	<u>\$ 5,208,343</u>	<u>\$ 2,964,849</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 814,140	\$ 152,054
Retainage payable	36,633	-
Due to other localities	<u>-</u>	<u>106,000</u>
Total current liabilities	<u>\$ 850,773</u>	<u>\$ 258,054</u>
Noncurrent liabilities:		
Revenue anticipation notes payable (Note 7)	\$ 4,357,400	\$ 2,706,625
Total noncurrent liabilities	<u>\$ 4,357,400</u>	<u>\$ 2,706,625</u>
Total liabilities	<u>\$ 5,208,173</u>	<u>\$ 2,964,679</u>
<b>NET ASSETS</b>		
Net assets:		
Unrestricted	\$ 170	\$ 170
Total net assets	<u>\$ 170</u>	<u>\$ 170</u>

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

## RSW REGIONAL JAIL AUTHORITY

**Statement of Cash Flows**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Other receipts (payments)	\$ -	\$ 170
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ 170</u>
Cash flows from capital and related financing activities:		
Acquisitions of property, plant, and equipment	\$ (1,493,029)	\$ (2,812,625)
Contributions from localities	-	106,000
Issuance of debt	5,956,400	2,706,625
Repayment of debt	(4,305,265)	-
Interest payments	(52,135)	-
Payment to localities	<u>(106,000)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (29)</u>	<u>\$ -</u>
Increase (decrease) in cash and cash equivalents	<u>\$ (29)</u>	<u>\$ 170</u>
Cash and cash equivalents at beginning of year	<u>\$ 170</u>	<u>\$ -</u>
Cash and cash equivalents at end of year	<u><u>\$ 141</u></u>	<u><u>\$ 170</u></u>

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



**RSW REGIONAL JAIL AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF JUNE 30, 2012**

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**NOTE 1—BASIS OF PRESENTATION:**

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**A. Organization and Purpose:**

The Counties of Warren, Rappahannock, and Shenandoah entered into an agreement dated July 22, 2010, to operate a regional jail facility created pursuant to the provisions of Section 52.1-91, *Code of Virginia* (1950), as amended, to construct, own and provide an adequate regional jail and to provide jail services to local governments participating in the Authority, which was created by Resolution of the participating local governments. Each of the three localities appoints two members to the Authority Board. In addition to locality appointed members, the Sheriff of each participating locality is required to be appointed.

**B. Determination of the Reporting Entity:**

The RSW Regional Jail Authority is not presented as a discretely presented component unit of any of the participating jurisdictions in accordance with Governmental Accounting Standards Board Statement No. 14. The Authority is not fiscally dependent on any one particular Member Jurisdiction, and none of the Member Jurisdictions appoints a voting majority. The Authority is a legally separate entity from the jurisdictions.

The RSW Regional Jail Authority was in the development and construction phase at June 30, 2012. Construction began in June 2012 with completion expected by the end of fiscal year 2015. It is anticipated that the Jail will open in June 2015 at which time the participating localities are expected to begin sending inmates to the facility. The regional jail will bill each locality a per diem rate based upon the number of inmates sent to the facility. The per diem rates will include components for both operating and debt service expenses.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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**A. Basic Financial Statements**

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis (Management has elected not to prepare the MD&A in the current year)
- Enterprise fund financial statements
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets (Not applicable in these fiscal years)
  - Statement of Cash Flows
  - Notes to Financial Statements
- Schedule of Pension Funding Progress (Not applicable in these fiscal years)
- Schedule of Other Post-Employment Benefits Funding Progress (Not applicable in these fiscal years)

RSW REGIONAL JAIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2012 (CONTINUED)

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

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**B. Basis of Accounting**

The accounting policies of the Authority conform to generally accepted accounting principles. Accordingly, the Authority uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board Statements and Interpretations, APB Opinion and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to member jurisdictions and bed rentals. Operating expenses include the cost of services and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Capital Assets**

Capital assets of the Authority are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50
Vehicles	3-5
Furniture, fixtures, and equipment	5-15

**D. 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.

**E. Investments**

Investments are stated at fair value.

**F. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of cash on hand and demand deposits.

**G. Inventory**

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements.

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2012 (CONTINUED)**

**NOTE 3—FISCAL AGENT:**

The Budget Manager of the County of Shenandoah, Virginia is the fiscal agent for the RSW Regional Jail Authority.

**NOTE 4—DEPOSITS:**

**Deposits**

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

**NOTE 5—CAPITAL ASSETS:**

A summary of changes in capital assets for the fiscal years is as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ -	\$ 2,065,314	\$ -	\$ 2,065,314
Construction in progress	-	899,365	-	899,365
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 2,964,679</u>	<u>\$ -</u>	<u>\$ 2,964,679</u>

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 2,065,314	\$ -	\$ -	\$ 2,065,314
Construction in progress	899,365	2,243,523	-	3,142,888
Total capital assets not being depreciated	<u>\$ 2,964,679</u>	<u>\$ 2,243,523</u>	<u>\$ -</u>	<u>\$ 5,208,202</u>

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2012 (CONTINUED)**

**NOTE 6—LONG-TERM LIABILITIES:**

On April 30, 2012 the Authority issued Jail Facility Revenue Bond Series 2012A in the amount of \$45,240,000 with a maturity date of April 1, 2043. U.S. Bank National Association was appointed as trustee for the bond funds. The bond was issued at a premium of \$4,992,732 which will be amortized over the life of the bond. There were bond issuance costs in the amount of \$652,747 with this bond issue. These costs and the bond premium are not recorded on the Statement of Net Assets due to the fact that the proceeds of the bond had not been drawn down as of June 30, 2012. Both the bond premium and the bond issuance costs will be recorded by the Authority in FY2013 when the bond proceeds are drawn down.

The following table shows debt service requirements to maturity for the bond once all proceeds have been drawn down:

Year Ending June 30,	Revenue Bond	
	Principal	Interest
2013	\$ -	\$ 1,793,101
2014	-	2,029,926
2015	-	2,029,926
2016	-	2,029,926
2017	975,000	2,019,560
2018	995,000	1,998,634
2019	1,020,000	1,977,225
2020	1,045,000	1,950,060
2021	1,075,000	1,920,685
2022	1,100,000	1,895,950
2023	1,125,000	1,867,940
2024	1,170,000	1,823,387
2025	1,230,000	1,765,487
2026	1,285,000	1,711,240
2027	1,335,000	1,661,128
2028	1,390,000	1,606,925
2029	1,450,000	1,543,275
2030	1,520,000	1,473,325
2031	1,595,000	1,401,084
2032	1,670,000	1,324,769
2033	1,755,000	1,240,754
2034	1,845,000	1,148,504
2035	1,945,000	1,051,385
2036	2,045,000	949,141
2037	2,155,000	841,516
2038	2,265,000	728,253
2039	2,385,000	609,097
2040	2,510,000	483,663
2041	2,645,000	351,566
2042	2,785,000	212,422
2043	2,925,000	70,528
Total	\$ <u>45,240,000</u>	\$ <u>43,510,382</u>

**RSW REGIONAL JAIL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS  
AS OF JUNE 30, 2012 (CONTINUED)**

**NOTE 6—LONG-TERM LIABILITIES: (CONTINUED)**

	Balance July 1, 2011	Issuances	Retirements	Balance June 30, 2012	Amount Due Within One Year
Revenue anticipation note	\$ 2,706,625	\$ 5,956,400	\$ 4,305,625	\$ 4,357,400	\$ -
Total Long-Term Liabilities	<u>\$ 2,706,625</u>	<u>\$ 5,956,400</u>	<u>\$ 4,305,625</u>	<u>\$ 4,357,400</u>	<u>\$ -</u>

On August 25, 2010 the Authority entered into a financing agreement with Wells Fargo Bank to issue a Revenue Anticipation Note Series 2010 in the amount of \$6,000,000 at varying interest rates, with an original maturity date of September 1, 2013. However, the Revenue Anticipation Note Series 2010 was paid off as of June 30, 2012.

On June 1, 2012 the Authority entered into a financing agreement with SunTrust Bank to issue a Revenue Anticipation Note Series 2012 in the amount of \$32,840,850 at an interest rate of 2.06% per annum, with a maturity date of November 1, 2015.

**NOTE 7—CONSTRUCTION CONTRACTS OUTSTANDING:**

The Authority had the following material contracts outstanding at June 30, 2012:

<u>Project</u>	<u>Original Contract Sum</u>	<u>Amount Spent as of June 30, 2012</u>	<u>Amount of Contract Remaining at Year End</u>
Jail Construction	\$ 82,452,834	\$ -	\$ 82,452,834

**COMPLIANCE**

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## 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

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### TO THE BOARD OF THE RSW REGIONAL JAIL AUTHORITY WOODSTOCK, VIRGINIA

We have audited the financial statements of the business-type activities of the RSW Regional Jail Authority, as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 30, 2012. We conducted our audits 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.

#### **Internal Control Over Financial Reporting:**

Management of the RSW Regional Jail Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the RSW Regional Jail Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RSW Regional Jail Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RSW Regional Jail 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 financial statements of RSW Regional Jail Authority 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 RSW 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 audits, 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 management, the Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2012