

**COUNTY OF YORK, MAINE
JAIL SERVICES FUND**

Financial Report

**For the Six Months Ended
June 30, 2009**

COUNTY OF YORK, MAINE
JAIL SERVICES FUND
Financial Report
For the six months ended June 30, 2009

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

County Commissioners and Treasurer
County of York, Maine - Jail Services Fund

We have audited the accompanying financial statements of the general fund of the County of York, Maine - Jail Services Fund as of and for the six months ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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.

As discussed in the notes, the financial statements present only the Jail Services Fund of the County of York, Maine and do not purport to, and do not, present fairly the financial position of the County of York as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jail Services Fund of the County of York, Maine as of June 30, 2009 and the changes in financial position and the budgetary comparison for the Jail Services Fund for the period 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 October 30, 2009 on our consideration of the County of York, Maine - Jail Services Fund's internal control over financial reporting and 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 for assessing the results of our audit.

A handwritten signature in cursive script that reads "Runyon Kersteen Ouellette".

October 30, 2009
South Portland, Maine

COUNTY OF YORK, MAINE - JAIL SERVICES FUND
Balance Sheets
Governmental Fund Type - Special Revenue - Jail Services fund
June 30, 2009

ASSETS		
Due from York County general fund	\$	53,538
Accounts receivable		126,282
Prepaid expenditures		128,221
Total assets	\$	308,041
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable		161,882
Accrued payroll and related expenditures		146,159
Total liabilities		308,041
Fund balance:		
Undesignated		-
Total fund balance		-
Total liabilities and fund balance	\$	308,041

See accompanying notes to financial statements.

COUNTY OF YORK, MAINE - JAIL SERVICES FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund Type - Special Revenue - Jail Services Fund
Six months ended June 30, 2009

Revenues:		
Transfer from York County General Fund	\$	4,304,208
Intergovernmental:		
Board of prisoners		250,067
State of Maine Pod lease		134,838
Miscellaneous		77,201
Total revenues		4,766,314
Expenditures:		
Current:		
Wages		2,024,401
Benefits		772,788
Professional fees / services		644,918
Travel expenses		6,545
Operation County vehicles		16,811
Utilities		194,184
Repairs / maintenance		80,926
Fixed charges		112,743
General operating		24,412
Other		3,889
Food		214,022
Fuel		150,249
Supplies		64,389
Clothing and materials		15,124
Buildings		210,000
Equipment replacement		6,392
Total expenditures		4,541,793
Net change in fund balance		224,521
Other financing sources (uses) of funds:		
Transfer to County of York's General Fund*		(224,521)
Fund balance, beginning of year		-
Fund balance, end of year	\$	-

See accompanying notes to financial statements.

*Fund balance at June 30, 2009 remains part of the County's General Fund.

COUNTY OF YORK, MAINE - JAIL SERVICES FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Special Revenue - Jail Services Fund
Six months ended June 30, 2009

	1/2 County Annual Approved Budget	State Department of Corrections Approved Budget	Actual	Variance with County Budget positive (negative)	Variance with State Budget positive (negative)
Revenues:					
Transfer from York County General Fund	\$ 4,333,625	4,304,208	4,304,208	(29,417)	-
Intergovernmental:					
Board of prisoners	77,610	95,220	250,067	172,457	154,847
State of Maine Pod lease	135,285	133,308	134,838	(447)	1,530
Community corrections	200,000	354,295	-	(200,000)	(354,295)
Miscellaneous	54,100	5,000	77,201	23,101	72,201
Total revenues	4,800,620	4,892,031	4,766,314	(34,306)	(125,717)
Expenditures:					
Current:					
Wages	2,112,145	2,390,395	2,024,401	87,744	365,994
Benefits	732,789	794,161	772,788	(39,999)	21,373
Professional fees / services	440,063	527,295	644,918	(204,855)	(117,623)
Travel expenses	4,225	4,225	6,545	(2,320)	(2,320)
Operation County vehicles	24,700	24,699	16,811	7,889	7,888
Utilities	191,850	191,850	194,184	(2,334)	(2,334)
Rentals	200	200	-	200	200
Repairs / maintenance	69,510	82,010	80,926	(11,416)	1,084
Fixed charges	101,432	101,383	112,743	(11,311)	(11,360)
General operating	8,220	11,175	24,412	(16,192)	(13,237)
Other	2,950	3,350	3,889	(939)	(539)
Food	212,500	220,000	214,022	(1,522)	5,978
Fuel	151,499	151,499	150,249	1,250	1,250
Supplies	32,750	31,825	64,389	(31,639)	(32,564)
Clothing and materials	16,550	16,550	15,124	1,426	1,426
Books & periodicals	468	468	-	468	468
Buildings	210,000	210,000	210,000	-	-
Equipment replacement	21,775	46,550	6,392	15,383	40,158
Tax anticipation note interest	-	84,396	-	-	84,396
Total expenditures	4,333,626	4,892,031	4,541,793	(208,167)	350,238
Net change in fund balance - increase (decrease)	\$ 466,994	-	224,521	(242,473)	224,521

See accompanying notes to financial statements.

COUNTY OF YORK, MAINE
JAIL SERVICES FUND
Notes to Financial Statements

THE REPORTING ENTITY

The County of York, Maine - Jail Services Fund operates as part of the County of York, Maine. However, the State Department of Corrections is the oversight body for this entity and, as such, sets certain laws and regulations with respect to it. The County Commissioners and Treasurer also act in an oversight capacity in the day to day operations and the administering of the budget. The financial statements of the County of York have been issued under separate cover which includes full disclosure for the reporting entity, including the Jail Services Fund. These audited financials statements are reported on a calendar year, the last being as of December 31, 2008.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of York, Maine - Jail Services Fund conform to accounting principles generally accepted in the United States of America as applicable to governmental funds. These financial statements are intended to represent only the fund and do not include government-wide financial statements. The following is a summary of the more significant of such policies applicable to the fund financial statements:

A. Basis of Presentation

The accounts of York County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The following fund is utilized for Jail Services Fund:

GOVERNMENTAL FUND

Governmental funds are those through which most governmental functions of the Jail Services Fund are financed. The acquisition, use and balances of the Jail Services Fund's expendable financial resources and the related liabilities are accounted for through the governmental fund. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Jail Services Fund's Governmental Fund type:

Jail Services Fund - This fund accounts for all financial transactions of the Jail operations.

B. Basis of Accounting

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

COUNTY OF YORK, MAINE
JAIL SERVICES FUND
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Those revenues susceptible to accrual are tax assessments, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the fund and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

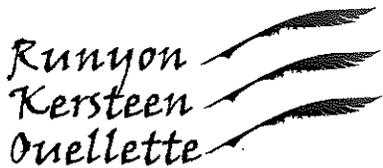
The County uses a formal budgeting accounting system to control revenues and expenditures accounted for in the Jail Services fund. An annual (calendar year) budget is established by the County Commissioners and must be approved by an appointed budget committee. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In addition, a six month Jail services budget was submitted to and approved by the State Department of Corrections. The Jail services budget has a tax (assessment) cap, which was set by the legislature, based on 2008 assessments. The York County Jail services fund cap amounted to \$4,333,624 for the six months ended June 30, 2009.

Tax assessments

The Jail Services fund's tax assessment is levied annually as part of the annual assessment for the County of York. The 2009 Jail assessment included in the County of York's 2009 original budgeted tax commitment amounted to \$8,667,249 for the Jail Services fund (annual). Half of this amount or \$4,333,625 would be attributed to the six month period. However, as a result of the cap set by law, and the subsequent State of Maine Department of Corrections approved six month budget, the actual transfer for the six month period amounted to \$4,304,208. This amount has been reflected as a budgetary transfer from the County general fund to the Jail services fund in the attached financial statements. Additionally, half of the County's annual budget called for a surplus of \$466,994 which would have gone to support other County departments (\$933,988 annualized). This surplus would have resulted from applying other Jail revenues such as Board of Prisoners to the County's general fund in support of all County departments.

CAPITAL ASSETS

All Buildings, vehicles and other equipment used by the Jail Services Fund is purchased and/or provided by York County and has been accounted for as an asset of the County. A complete listing of County assets and related depreciation information can be found in the County of York annual financial report as of December 31, 2008.



**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**

County Commissioners and Treasurer
County of York, Maine - Jail Services Fund

We have audited the accompanying financial statements of the County of York, Maine - Jail Services Fund as of and for the six months ended June 30, 2009, and have issued our report thereon dated October 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 County of York, Maine - Jail Services Fund'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 County of York, Maine - Jail Services Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of York, Maine - Jail Services Fund's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County of York, Maine - Jail Services Fund's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of York, Maine - Jail Services Fund's financial statements that is more than inconsequential will not be prevented or detected by the County of York, Maine - Jail Services Fund's internal control. We consider the deficiencies described in the accompanying schedule of findings (2009-1 through 2009-3) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of York, Maine - Jail Services Fund's internal control.

**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*, CONTINUED**

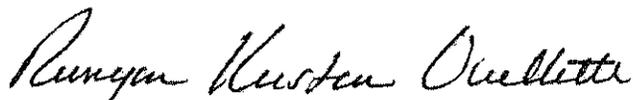
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of York, Maine - Jail Services Fund'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 that is required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the County of York, Maine - Jail Services Fund's Commissioners, Treasurer, management and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.



October 30, 2009
South Portland, Maine

County of York, Maine - Jail Services Fund
Schedule of Findings
For the six months ended June 30, 2009

SIGNIFICANT DEFICIENCIES

2009-1 Preparation of Financial Statements

Statement on Auditing Standards 112 requires that the annual financial statements could be accurately prepared and understood in-house without the assistance of the external auditor. Additionally, when the auditing firm does prepare the financial statements, the County must assign a competent management level individual to oversee this service. Management must review, approve and accept responsibility for the financial statements and related notes.

Currently, it is common practice for governmental entities to rely on their external auditors to provide the expertise necessary to prepare the financial statements and the related disclosures. The cost-benefit of doing otherwise may not be justifiable to management. However, because the County currently takes this approach, it is considered to have a control deficiency in the design of internal controls over the preparation of the financial statements in accordance with generally accepted accounting principles.

Management response:

Currently, the Finance Director for the County of York is responsible for oversight of auditor's preparation of the annual financial statements. However, as time and budget constraints ease, the County expects to prepare the annual financial statements in-house.

2009-2 Material Audit Adjustments

As part of the audit process, we use and rely on reports provided by management to compile the financial statements. When our audit procedures detect misstatements and we provide audit entries to correct these misstatements, it becomes a forgone conclusion that a control deficiency exists. We provided management with a number of audit entries which we feel are more than inconsequential. It should be noted however, that this was the transition period (six-month) to a June 30, fiscal year end for the Jail Services Fund. Most of the audit entries provided were made to properly adjust for this new fiscal period. In the future, the County will need to contemplate how best to meet the needs of this fund, given that the County as a whole remains a calendar year end entity.

Management response:

In the future, all adjusting journal entries will be made by the Finance Director in the appropriate periods to account for the difference in fiscal years between the Jail Services Fund and other County Funds. The County is also considering a change of fiscal year to coincide with the Jail Services Fund.

2009-3 Budget Variances

The Jail Services Fund budget represents the legal authority of the County to spend funds throughout the year. During 2009, the County had an annual budget for the Jail (which was part of their calendar year overall budget) as well as the State of Maine Department of Corrections approved six month budget. In both cases, there were a number of large variances between budgeted amounts and actual amounts. Whenever possible, the County should attempt to incorporate all anticipated expenditures and revenues in the annual budget process such that budget variances are kept to a minimum.

**County of York, Maine - Jail Services Fund
Schedule of Findings, Continued
For the six months ended June 30, 2009**

Management response:

Issues affecting the budget to actual variances in this 6 month Jail Services Fund budget include a change in Finance Director staffing from budget preparation to budget implementation, a change in fiscal year for the jail, and a change in accounting software and chart of accounts. In the future, all anticipated expenditures and revenues will be incorporated into the DOC adopted budget which will also become the County Jail Services Fund budget.