
**ALBEMARLE-CHARLOTTESVILLE
REGIONAL JAIL AUTHORITY**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

(A Regional Jail organized and existing pursuant to provisions of Chapter 7.1 of Title 53 of the *Code of Virginia* (1950), as amended)

BOARD MEMBERS

Kenneth C. Boyd	Steven Carter	Cyndra Van Clief
W. David Brooks	John E. Harding	Timothy Longo
James Brown III	Kathy Johnson-Harris	Kristen Szakos
Donald Byers		Doug Walker

SUPERINTENDENT

Martin Kumer

BUSINESS MANAGER

Jeffrey A. Brill

CLERK OF THE BOARD

Marce B. Anderson

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
<i>Basic Financial Statements:</i>	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-26
<i>Required Supplementary Information:</i>	
Schedule of Pension and OPEB Funding Progress for the Virginia Retirement System and Other Postemployment Benefits	27
<i>Other Supplementary Information:</i>	
Schedule of Revenues and Expenses - Budgetary Basis	28-30
Reconciliation of the Schedule of Revenues and Expenses - Budgetary Basis to the Statement of Revenues, Expenses and Changes in Net Position	31
Schedule of Restricted Cash and Amounts Held for Others	32
Agency Funds - Schedule of Changes in Assets and Liabilities	33
<i>Compliance:</i>	
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 <i>Government Auditing Standards</i>	34-35

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board Members of the
Albemarle-Charlottesville Regional Jail Authority
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Albemarle-Charlottesville Regional Jail Authority, as of and for the year ended June 30, 2014, 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 Albemarle-Charlottesville Regional Jail Authority, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of pension and OPEB funding progress on page 27 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, 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. 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.

Management has omitted 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 this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Albemarle-Charlottesville 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 Albemarle-Charlottesville Regional Jail Authority's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 October 30, 2014, on our consideration of the Albemarle-Charlottesville 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 Albemarle-Charlottesville Regional Jail Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 30, 2014

- Basic Financial Statements -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Net Position

At June 30, 2014

(With Comparative Amounts for 2013)

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,651,801	\$ 3,475,524
Restricted cash and cash equivalents	144,505	138,075
Prepaid items	5,229	4,980
Accounts receivable	41,218	30,148
Due from other governments	2,026,980	1,732,753
Total current assets	<u>\$ 5,869,733</u>	<u>\$ 5,381,480</u>
Capital assets:		
Capital assets, not being depreciated:		
Land	\$ 74,947	\$ 74,947
Total capital assets not being depreciated	<u>\$ 74,947</u>	<u>\$ 74,947</u>
Capital assets, being depreciated:		
Building and improvements	\$ 22,345,127	\$ 22,334,257
Equipment	3,188,705	3,170,809
Vehicles	286,533	286,533
Accumulated depreciation	(14,533,756)	(13,640,526)
Total capital assets being depreciated	<u>\$ 11,286,609</u>	<u>\$ 12,151,073</u>
Total capital assets	<u>\$ 11,361,556</u>	<u>\$ 12,226,020</u>
Total assets	<u><u>\$ 17,231,289</u></u>	<u><u>\$ 17,607,500</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 277,202	\$ 184,015
Compensation payable	93,088	92,802
Compensated absences	862,342	914,344
Amounts held for others	144,505	138,075
Long-term debt due within one year	371,677	359,780
Total current liabilities	<u>\$ 1,748,814</u>	<u>\$ 1,689,016</u>
Noncurrent liabilities:		
Net OPEB obligation	1,077,000	690,000
Long-term debt due after one year	5,142,347	5,514,024
Total noncurrent liabilities	<u>\$ 6,219,347</u>	<u>\$ 6,204,024</u>
Total liabilities	<u>\$ 7,968,161</u>	<u>\$ 7,893,040</u>
Net Position		
Net investment in capital assets	\$ 5,847,532	\$ 6,352,216
Restricted - operations	2,945,285	2,945,285
Unrestricted	470,311	416,959
Total net position	<u>\$ 9,263,128</u>	<u>\$ 9,714,460</u>
Total liabilities and net position	<u><u>\$ 17,231,289</u></u>	<u><u>\$ 17,607,500</u></u>

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2014
 (With Comparative Amounts for 2013)

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
From local sources:		
Charges for services	\$ 8,541,685	\$ 7,899,001
Miscellaneous	86,604	74,191
Intergovernmental:		
Revenue from the Commonwealth	671,412	627,024
Total revenues	<u>\$ 9,299,701</u>	<u>\$ 8,600,216</u>
Operating Expenses:		
Compensation and related items	\$ 10,982,845	\$ 10,300,050
Contractual	408,303	649,517
Other charges	2,192,125	2,258,787
Depreciation	893,230	927,079
Total expenses	<u>\$ 14,476,503</u>	<u>\$ 14,135,433</u>
Net operating income (loss)	<u>\$ (5,176,802)</u>	<u>\$ (5,535,217)</u>
Nonoperating revenues (expenses):		
Operating grants:		
State	\$ 4,326,785	\$ 4,239,936
Federal grants	20,591	41,661
Debt service assessments	563,474	577,110
Interest income	1,820	1,665
Gain of disposal of assets	-	648
Tower lease	23,475	24,879
Interest expense	(210,675)	(223,690)
Total nonoperating revenues (expenses)	<u>\$ 4,725,470</u>	<u>\$ 4,662,209</u>
Change in net position	\$ (451,332)	\$ (873,008)
Net position, beginning of year	<u>9,714,460</u>	<u>10,587,468</u>
Net position, end of year	<u><u>\$ 9,263,128</u></u>	<u><u>\$ 9,714,460</u></u>

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2014
(With Comparative Amounts for 2013)

	2014	2013
Cash flows from operating activities:		
Receipts from customers	\$ 8,994,404	\$ 8,812,587
Payments to suppliers	(2,507,490)	(2,455,824)
Payments to and for employees	(10,647,561)	(10,088,100)
Net cash provided by (used for) operating activities	<u>\$ (4,160,647)</u>	<u>\$ (3,731,337)</u>
Cash flows from non-capital financing activities:		
Operating grants	\$ 4,347,376	\$ 4,281,597
Other	23,475	24,879
Net cash provided by (used for) non-capital financing activities	<u>\$ 4,370,851</u>	<u>\$ 4,306,476</u>
Cash flows from investing activities:		
Interest income	\$ 1,820	\$ 1,665
Cash flows from capital and related financing activities:		
Debt service assessments	\$ 563,474	\$ 577,110
Proceeds from sale of assets	-	648
Purchase of capital assets	(28,766)	(62,061)
Principal payments on long-term debt	(359,780)	(347,599)
Interest expense	(210,675)	(223,690)
Net cash provided by (used for) capital and related financing activities	<u>\$ (35,747)</u>	<u>\$ (55,592)</u>
Net change in cash and cash equivalents	\$ 176,277	\$ 521,212
Cash and cash equivalents, beginning of year	3,475,524	2,954,312
Cash and cash equivalents, end of year	<u>\$ 3,651,801</u>	<u>\$ 3,475,524</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (5,176,802)	\$ (5,535,217)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	893,230	927,079
Changes in assets and liabilities:		
Prepaid items	(249)	457,715
Accounts receivable	(11,070)	(3,694)
Due from other governments	(294,227)	216,065
Accounts payable	93,187	(5,235)
Net OPEB obligation	387,000	171,000
Compensation payable	286	(9,420)
Compensated absences	(52,002)	50,370
Net cash provided by (used for) operating activities	<u>\$ (4,160,647)</u>	<u>\$ (3,731,337)</u>
Supplemental disclosures:		
Cash payments for interest	<u>\$ 210,675</u>	<u>\$ 223,690</u>

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014

NOTE 1 - FINANCIAL STATEMENT PRESENTATION:

A. Organization and Purpose:

The Albemarle-Charlottesville Regional Jail Board was created pursuant to a resolution duly adopted by the City Council of the City of Charlottesville on April 9, 1974, and by the Board of Supervisors of Albemarle County on April 18, 1974. The County and City agreed to establish a regional jail known as the Albemarle-Charlottesville Joint Security Complex, pursuant to the provisions of Chapter 7.1 of Title 53 of the *Code of Virginia*, and including provisions to allocate costs of construction and operation. All property shall be held jointly by the City and the County.

Effective November 15, 1995 the Jail Board created the Albemarle-Charlottesville Regional Jail Authority, pursuant to the provisions of Chapter 3, Article 3.1 of Title 53.1 of the Code of Virginia, and transferred all assets, liabilities and operations of the Complex to the Authority. Effective July 1, 1998, Nelson County became a member of the Authority.

B. Financial Reporting Entity:

The Authority has determined that it is a related organization to Albemarle County, Nelson County, and the City of Charlottesville, in accordance with Governmental Accounting Standards Board Statement 39, *Determining Whether Certain Organizations are Component Units*. The Authority is a legally separate organization whose eleven Board members are appointed as follows: The Jail Board shall include the County Executive of Albemarle, County Administrator of Nelson, and City Manager of Charlottesville; Sheriffs of the City of Charlottesville, County of Albemarle, and County of Nelson; one member of City Council to be appointed by Council; one member of the Albemarle Board of Supervisors to be appointed by the Albemarle Board of Supervisors; one private citizen from the City and one from the County of Albemarle, to be appointed by the respective governing bodies, and one additional private citizen, to be appointed jointly by the governing bodies. Since the Boards of Supervisors of Albemarle and Nelson or City Council cannot impose their will on the Authority, and since there is no potential financial benefit or burden in the relationship, neither Boards of Supervisors nor City Council are financially accountable for the Authority. Accordingly the Authority is not considered a component unit of the City or Counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

A. Basis of Accounting:

The Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

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

B. Capital Assets:

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. The Authority's policy is to capitalize assets whose cost equals or exceeds \$5,000. Donated capital assets are valued at fair market value as of the date received. Depreciation has been provided on capital assets using the straight-line method based on their estimated useful lives which are as follows:

Building and improvements	20-30 years
Equipment	3-10 years
Vehicles	3-4 years

Depreciation totaled \$893,230 for 2014 and \$927,079 for 2013.

C. Compensated Absences:

Vacation pay and other related employee benefits are accrued when earned. At June 30, 2014 and 2013, unpaid vacation and related benefits amounted to approximately \$862,342 and \$914,344, respectively.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Operating and Nonoperating Revenues and Expenses:

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.

F. Comparative Amounts:

Comparative amounts are presented for informational purposes only. The prior year amounts have been reclassified to conform to the current year presentation.

G. Cash and Cash Equivalents:

The Authority's cash and cash equivalents consist of demand deposits, certificates of deposit, overnight repurchase agreements and short-term U.S. Governmental obligations, with an original maturity of three months or less, all of which are readily convertible to known amounts of cash. Restricted cash amounts include amounts held for inmates and other purposes.

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

H. 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 does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2014.

I. 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.

J. 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

K. Upcoming Pronouncements:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority has not determined the impact of this pronouncement on its financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 3 - DEPOSITS AND INVESTMENTS:

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% excess deposits. Accordingly, all deposits are considered fully collateralized.

The Authority's cash and cash equivalents are a part of the pooled cash and investments of the County of Albemarle, Virginia, the Authority's fiscal agent. The components of the Authority's cash and cash equivalents as to bank and investment balances are not identifiable. The portion of the County's cash and investments which are applicable to the Authority consist of deposits covered by FDIC insurance, the Virginia Security for Public Deposits Act, or are a part of the County's investments in the Virginia Local Government Investment Pool. The Authority has other cash accounts that are not a part of the County's pooled cash and investments. The carrying value of these deposits was \$140,168, and the bank balances were covered by FDIC insurance and/or collateralized in accordance with the Virginia Security for Public Deposits Act.

NOTE 4 - RECEIVABLES:

	<u>2014</u>	<u>2013</u>
Accounts receivable:		
Other	\$ 41,218	\$ 30,148
Total accounts receivable	<u>\$ 41,218</u>	<u>\$ 30,148</u>
Due from other governmental units:		
Commonwealth of Virginia:		
State Compensation Board	\$ 393,829	\$ 357,683
Department of Corrections	192,608	195,377
County of Albemarle	430,456	406,655
City of Charlottesville	923,376	653,968
Other	86,711	117,886
Federal government	-	1,184
Total due from other governmental units	<u>\$ 2,026,980</u>	<u>\$ 1,732,753</u>
Total receivables	<u><u>\$ 2,068,198</u></u>	<u><u>\$ 1,762,901</u></u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 5 - CAPITAL ASSETS:

A summary of changes in capital assets is summarized below:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 74,947	\$ -	\$ -	\$ 74,947
Total capital assets not being depreciated	<u>\$ 74,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,947</u>
Capital assets being depreciated:				
Building and improvements	\$ 22,334,257	\$ 10,870	\$ -	\$ 22,345,127
Equipment	3,170,809	17,896	-	3,188,705
Vehicles	286,533	-	-	286,533
Total capital assets being depreciated	<u>\$ 25,791,599</u>	<u>\$ 28,766</u>	<u>\$ -</u>	<u>\$ 25,820,365</u>
Accumulated depreciation:				
Building and improvements	\$ 10,861,308	\$ 683,186	\$ -	\$ 11,544,494
Equipment	2,492,685	210,044	-	2,702,729
Vehicles	286,533	-	-	286,533
Total accumulated depreciation	<u>\$ 13,640,526</u>	<u>\$ 893,230</u>	<u>\$ -</u>	<u>\$ 14,533,756</u>
Total capital assets being depreciated, net	<u>\$ 12,151,073</u>	<u>\$ (864,464)</u>	<u>\$ -</u>	<u>\$ 11,286,609</u>
Net capital assets	<u>\$ 12,226,020</u>	<u>\$ (864,464)</u>	<u>\$ -</u>	<u>\$ 11,361,556</u>

NOTE 6 - REVENUE BONDS:

\$8,056,900 refinancing revenue bonds, issued March 1, 2005, payable in various annual installments ranging from \$279,310 to \$556,572 beginning on July 1, 2006 through July 1, 2025, interest at 3.7%, payable semiannually \$ 5,514,024

Annual requirements to amortize principal and interest are as follows:

Fiscal Year	Revenue Bonds	
	Principal	Interest
2015	\$ 371,677	\$ 197,143
2016	388,279	183,084
2017	404,515	168,417
2018	415,372	153,249
2019	430,896	137,593
2020	446,014	121,370
2021	465,712	104,503
2022	479,913	87,009
2023	498,660	68,906
2024	516,875	50,118
2025	539,539	30,575
2026	556,572	10,297
Total	<u>\$ 5,514,024</u>	<u>\$ 1,312,264</u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 6 - REVENUE BONDS: (Continued)

The following details the changes in long-term debt:

Balance, July 1, 2013	\$	5,873,804
Principal payments		<u>(359,780)</u>
Balance, June 30, 2014	\$	<u><u>5,514,024</u></u>

NOTE 7 - PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS - PLAN 1

- 1. Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

VRS - PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

VRS – PLAN 2 (CONTINUED)

9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")
 - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

NOTE 7 - PENSION PLAN: (Continued)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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 compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% 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 its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The contribution rate for the fiscal year ended 2014 was 14.90% of annual covered payroll.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 7 - PENSION PLAN: (Continued)

C. Annual Pension Cost:

For fiscal year 2014, the Authority's annual pension cost of \$1,035,898 was equal to the Authority's required and actual contributions.

<u>Three-Year Trend Information</u>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 866,839	100%	-
June 30, 2013	1,032,855	100%	-
June 30, 2014	1,035,898	100%	-

(1) Employer portion only

The FY 2014 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 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years

D. Funding Status and Progress:

As of June 30, 2014, the most recent actuarial valuation date, the Authority's plan was 76.72% funded. The actuarial accrued liability for benefits was \$17,870,345, and the actuarial value of assets was \$13,710,246, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,160,099. The covered payroll (annual payroll of active employees covered by the plan) was \$6,916,181 and ratio of the UAAL to the covered payroll was 60.15%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS VERIP:

A. Plan Description:

The Albemarle County Voluntary Early Retirement Incentive Program (VERIP) is a single-employer defined benefit plan. VERIP benefits are paid monthly for a period of five years or until age 65, whichever comes first. In addition to the monthly stipend, the County will pay an amount equivalent to the Board's annual contribution toward medical insurance. Participants may accept it as a cash payment or apply it toward the cost of the continuation of their County medical/dental benefits. To be eligible, employees must meet the age and service criteria for reduced VRS retirement and be a current employee at least 50 years of age and have been employed by the County in a benefits-eligible position for 10 of the last 13 years prior to retirement. The plan is administered by the County and does not have a separate financial report.

B. Funding Policy:

The Albemarle County government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$38,000 for the Albemarle-Charlottesville Regional Jail Authority for fiscal year 2014. The Albemarle-Charlottesville Regional Jail Authority has elected not to pre-fund OPEB liabilities. The Authority is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The unfunded liability is amortized over a closed 30 year period as a level percentage of payroll.

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Estimated Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 178,000	\$ 6,000	3%	\$ 172,000
June 30, 2013	191,000	20,000	10%	171,000
June 30, 2014	169,000	38,000	22%	131,000

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS VERIP: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

For 2014, the Authority's estimated contribution of \$38,000 was less than the annual pension cost. The Authority's annual OPEB cost, the estimated contributions made, and the increase in net OPEB obligation are as follows:

	<u>Albemarle Charlottesville Regional Jail</u>
Annual required contribution	\$ 172,000
Interest on net OPEB obligation	38,000
Adjustment to annual required contribution	<u>(41,000)</u>
Annual OPEB cost (expense)	\$ 169,000
Contributions made	<u>38,000</u>
Increase (decrease) in net OPEB obligation	\$ 131,000
Net OPEB obligation - beginning of year	<u>946,000</u>
Net OPEB obligation - end of year	<u><u>\$ 1,077,000</u></u>

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	\$ 1,446,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,446,000
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	7,012,411
UAAL as a percentage of covered payroll	20.62%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

E. Actuarial Methods and Assumptions:

Cost Method

The valuation uses the projected unit credit method with linear pro-ratio to assumed benefit commencement.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS VERIP: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Coverage Status and Age of Spouse

Actual medical coverage status was used in the valuation. Females are assumed to be 3 years younger than male spouses. Employees with individual coverage are assumed to elect individual coverage at retirement while those with family / spouse coverage are assumed to continue family / spouse coverage at retirement. All of the active participants who are eligible to retire under the County's Voluntary Early Retirement Incentive Program (VERIP) will take the flat dollar subsidy, which for FY 14 is \$7,933. The VERIP Subsidy is assumed to increase at a flat rate of 3% per year. It is assumed that 50% of active employees currently enrolled in the health care plan will continue in the plan upon retiring from active service. Medical and prescription drugs are assumed to increase at rates ranging from 7.00% in FY 14 to 5.80% in FY 24.

The assumptions and calculations are based on the past three years of premium rates at the time of the valuation and the sharing of costs between the employer and plan members.

	<u>Percentage</u>
Discount rate	4.00%
Payroll Growth	4.00%
Inflation rate	2.50% per year
Investment return	4.00%
VERIP increase	3% plus 1/2 % increase from 3% to 7

The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Medical Trend Assumption

Based on the Society of Actuaries long-term medical trend model, as revised in November 2012, 1.50% GDP. Trends for the next ten years are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Percentage</u>	<u>Fiscal</u> <u>Year Ended</u>	<u>Percentage</u>
2015	7.00%	2020	5.90%
2016	6.50%	2021	5.90%
2017	6.00%	2022	5.80%
2018	5.90%	2023	5.80%
2019	5.90%	2024	5.80%

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS VERIP: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

The following chart shows explicit costs, total medical costs, and drug costs between pre and post Medicare as well as single and family coverage:

	Total costs	Single	Family
1. Explicit Costs			
a. Pre-Medicare	\$	8,089	\$ 10,677
b. Medicare age		-	-
2. Total Medical Costs			
a. Under 50	\$	4,903	\$ 10,982
b. Age 50-54		5,831	13,060
c. Age 55-59		6,723	15,059
d. Age 60-64		7,972	17,857
e. Over Age 65		-	-
2. Total Drug Costs			
a. Under 50	\$	946	\$ 2,120
b. Age 50-54		1,206	2,701
c. Age 55-59		1,429	3,200
d. Age 60-64		1,633	3,657
e. Over Age 65		-	-

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 9 - PRISONER COST PER DIEM:

The Authority has a designed capacity of 329 prisoners yielding a total of 120,085 prisoner days per year. Actual prisoner days totaled 151,165 for the year ended June 30, 2014 and 160,629 for 2013. Costs incurred in the operation of the Authority are as follows:

	<u>2014</u>	<u>2013</u>
Total operating expenses	\$ 14,476,503	\$ 14,135,433
Add:		
Capital assets costs paid from operating funds	28,766	62,061
Interest expense	210,675	223,690
Principal payments on debt	359,780	347,599
Deduct:		
Depreciation and amortization	<u>(893,230)</u>	<u>(927,079)</u>
Total expenditures	\$ 14,182,494	\$ 13,841,704
Less:		
Charges to others for prisoner care and other sources	(582,144)	(643,017)
Reimbursed expenditures from the Commonwealth	<u>(4,998,197)</u>	<u>(4,866,960)</u>
Net cost to participant localities	\$ <u>8,602,153</u>	\$ <u>8,331,727</u>
Total prisoner days for participant localities	\$ <u>151,165</u>	\$ <u>160,629</u>
Actual local cost per diem	\$ <u>56.91</u>	\$ <u>51.87</u>

The City of Charlottesville and Counties of Albemarle and Nelson contributions to the Authority include costs for services based on bed days plus debt service requirements for the jail expansion bonds.

NOTE 10 - LITIGATION:

At June 30, 2014, there were no matters of litigation involving the Authority or which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 11 - FISCAL AGENT:

The Director of Finance of the County of Albemarle is the Fiscal Agent for the Authority.

NOTE 12 - OPERATING RESERVE FUND:

As a requirement of the jail expansion bond issue, the Authority is required to fund an operating reserve equal to 25% of the Authority's operating budget. At June 30, 2014 this fund totaled \$2,945,285.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2014 (continued)

NOTE 13 - CAPITAL PROJECTS:

At June 30, 2014, the Authority had \$793,207 commitments for capital projects and related subsequent year expenses.

NOTE 14 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in Virginia to form the VACO Risk Management Programs, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Authority pays an annual premium to the association for its workers' compensation insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The Authority continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- Required Supplementary Information -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Pension and OPEB Funding Progress for the Virginia Retirement System
and Other Postemployment Benefits

Last Three Fiscal Years

Virginia Retirement System:

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)
June 30, 2013	\$ 13,710,246	\$ 17,870,345	\$ 4,160,099	76.72%	\$ 6,916,181	60.15%
June 30, 2012	12,407,165	16,620,959	4,213,794	74.65%	6,715,169	62.75%
June 30, 2011	11,347,597	15,114,409	3,766,812	75.08%	6,485,654	58.08%

Other Postemployment Benefits:

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)
June 30, 2013	\$ -	\$ 1,446,000	\$ 1,446,000	0.00%	\$ 7,012,411	20.62%
June 30, 2012	-	1,487,000	1,487,000	0.00%	6,715,169	22.14%
June 30, 2011	-	1,329,000	1,329,000	0.00%	6,485,654	20.49%

- Other Supplementary Information -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Revenues and Expenses
Budgetary Basis
Year Ended June 30, 2014

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services:				
Care of prisoners:				
City of Charlottesville	\$ 4,636,961	\$ 4,636,961	\$ 4,221,235	\$ (415,726)
County of Albemarle	3,077,482	3,077,482	3,158,789	81,307
County of Nelson	580,657	580,657	666,121	85,464
Other localities	12,000	12,000	30,765	18,765
Federal	185,000	185,000	144,771	(40,229)
Work release	48,000	48,000	58,932	10,932
Inmate telephone	240,000	240,000	169,571	(70,429)
Daily inmate charges	92,000	92,000	76,576	(15,424)
Other	5,000	5,000	14,925	9,925
Total charges for services	<u>\$ 8,877,100</u>	<u>\$ 8,877,100</u>	<u>\$ 8,541,685</u>	<u>\$ (335,415)</u>
Miscellaneous:				
Other	\$ 114,600	\$ 114,600	\$ 86,604	\$ (27,996)
Intergovernmental:				
Revenue from the Commonwealth:				
Department of Corrections	975,000	975,000	671,412	(303,588)
Total operating revenues	<u>\$ 9,966,700</u>	<u>\$ 9,966,700</u>	<u>\$ 9,299,701</u>	<u>\$ (666,999)</u>
Expenses:				
Compensation and related items:				
Salaries and wages	\$ 7,868,618	\$ 7,868,618	\$ 7,449,304	\$ 419,314
Fringes:				
Social security and medicare taxes	601,949	601,949	553,940	48,009
Retirement	1,141,488	1,141,488	1,050,439	91,049
Health insurance	1,349,069	1,349,069	1,346,699	2,370
Dental insurance	44,000	44,000	13,710	30,290
Life insurance	91,065	91,065	73,064	18,001
Unemployment	20,000	20,000	351	19,649
Workers compensation	83,000	83,000	81,213	1,787
Employee physical assessments	2,500	2,500	2,190	310
Other employee benefits	12,000	12,000	24,935	(12,935)
Total compensation and related items	<u>\$ 11,213,689</u>	<u>\$ 11,213,689</u>	<u>\$ 10,595,845</u>	<u>\$ 617,844</u>
Contractual:				
Legal	\$ 29,120	\$ 29,120	\$ 33,908	\$ (4,788)
Professional services	13,000	13,000	23,027	(10,027)
Health services	4,000	4,000	3,419	581
Audit	10,974	10,974	10,347	627
Repairs and maintenance	73,000	73,000	62,989	10,011
Maintenance contracts	128,240	128,240	85,812	42,428

Schedule of Revenues and Expenses

Budgetary Basis

Year Ended June 30, 2014 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenses: (continued)				
Contractual: (continued)				
Printing and binding	\$ 300	\$ 300	\$ 75	\$ 225
Advertising	-	-	216	(216)
Other purchased services	6,500	6,500	3,629	2,871
Refuse collection	25,500	25,500	9,899	15,601
Administration fees	142,291	142,291	142,291	-
Data processing	20,000	20,000	32,691	(12,691)
Total contractual	<u>\$ 452,925</u>	<u>\$ 452,925</u>	<u>\$ 408,303</u>	<u>\$ 44,622</u>
Other charges:				
Electrical	\$ 230,000	\$ 230,000	\$ 208,106	\$ 21,894
Heating	130,000	130,000	111,184	18,816
Water and sewer	290,000	290,000	234,950	55,050
Postal services	6,500	6,500	8,224	(1,724)
Telecommunications	48,000	48,000	54,070	(6,070)
Fire insurance	48,000	48,000	23,141	24,859
Automotive insurance	5,000	5,000	4,708	292
Leases, rentals	3,708	3,708	5,185	(1,477)
Training - Academy	80,000	80,000	73,216	6,784
Travel - education	14,323	14,323	25,883	(11,560)
Travel - subsistence	4,500	4,500	1,986	2,514
Miscellaneous	20,500	20,500	16,432	4,068
Inclement weather	2,000	2,000	2,231	(231)
Dues and memberships	2,200	2,200	9,383	(7,183)
Office supplies	28,000	28,000	41,121	(13,121)
Food supplies	785,000	785,000	756,920	28,080
Medical and lab supplies	400,000	400,000	331,585	68,415
Laundry and janitorial supplies	65,000	65,000	57,334	7,666
Kitchen supplies	25,000	25,000	21,759	3,241
Linen supplies	14,000	14,000	11,368	2,632
Uniforms - inmates	20,000	20,000	13,201	6,799
Repair and maintenance supplies	50,000	50,000	62,853	(12,853)
Vehicle and equipment fuel, supplies, repairs	33,000	33,000	25,611	7,389
Police supplies	15,000	15,000	13,681	1,319
Uniforms and apparel	34,000	34,000	35,999	(1,999)
Books and subscriptions	300	300	3,166	(2,866)
Education and recreation supplies	100,000	100,000	1,146	98,854
Other operating supplies	800	800	-	800
Copy expense	200	200	2,153	(1,953)
Total other charges	<u>\$ 2,455,031</u>	<u>\$ 2,455,031</u>	<u>\$ 2,156,596</u>	<u>\$ 298,435</u>

Schedule of Revenues and Expenses
 Budgetary Basis
 Year Ended June 30, 2014 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenses: (continued)				
Capital Outlay:				
Machinery and equipment	\$ 53,000	\$ 53,000	\$ 61,803	\$ (8,803)
Other	-	-	-	-
Total capital outlay	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 61,803</u>	<u>\$ (8,803)</u>
Total expenses	<u>\$ 14,174,645</u>	<u>\$ 14,174,645</u>	<u>\$ 13,222,547</u>	<u>\$ 952,098</u>
Net operating income (loss)	<u>\$ (4,207,945)</u>	<u>\$ (4,207,945)</u>	<u>\$ (3,922,846)</u>	<u>\$ 285,099</u>
Nonoperating revenue (expenses):				
Debt service assessments:				
City of Charlottesville	\$ 290,028	\$ 290,028	\$ 277,806	\$ (12,222)
County of Albemarle	258,013	258,013	258,013	-
County of Nelson	27,655	27,655	27,655	-
Total debt service assessments	<u>\$ 575,696</u>	<u>\$ 575,696</u>	<u>\$ 563,474</u>	<u>\$ (12,222)</u>
Interest income	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,820</u>	<u>\$ 1,320</u>
Intergovernmental:				
Commonwealth of Virginia				
Operating grants	<u>\$ 4,150,000</u>	<u>\$ 4,150,000</u>	<u>\$ 4,326,785</u>	<u>\$ 176,785</u>
Federal Government				
State Criminal Alien Assistance Program	<u>\$ 34,000</u>	<u>\$ 34,000</u>	<u>\$ 20,591</u>	<u>\$ (13,409)</u>
Tower lease	<u>\$ 23,445</u>	<u>\$ 23,445</u>	<u>\$ 23,475</u>	<u>\$ 30</u>
Debt service (expenses):				
Principal	\$ (371,677)	\$ (371,677)	\$ (359,780)	\$ 11,897
Interest	<u>(204,019)</u>	<u>(204,019)</u>	<u>(210,675)</u>	<u>(6,656)</u>
Total debt service (expenses)	<u>\$ (575,696)</u>	<u>\$ (575,696)</u>	<u>\$ (570,455)</u>	<u>\$ 5,241</u>
Net nonoperating revenues (expenses)	<u>\$ 4,207,945</u>	<u>\$ 4,207,945</u>	<u>\$ 4,365,690</u>	<u>\$ 157,745</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,844</u>	<u>\$ 442,844</u>

This schedule is presented on the budgetary basis of the Authority which is on the modified accrual

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Reconciliation of the Schedule of Revenues and Expenses - Budgetary Basis
to the Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014

Reconciliation of (deficiency) of revenues (under) expenditures to
changes in net position per the Statement of Revenues,
Expenses and Changes in Net Position:

Excess (Deficiency) of revenues over (under) expenditures per budgetary basis schedule	\$	442,844
Capital assets capitalized		28,766
Machinery and equipment expenses fund 4001		(2,492)
Depreciation		(893,230)
Net OPEB obligation		(387,000)
Principal payments on debt		359,780
		<hr/>
Changes in net position, per statement of revenues, expenses, and changes in net position	\$	<u>(451,332)</u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Restricted Cash and Amounts Held for Others

At June 30, 2014

(With Comparative Amounts for 2013)

	<u>Work Release Account</u>	<u>Home Electronic Monitoring Account</u>	<u>Inmate Canteen Account</u>	<u>Inmate Admini- stration Account</u>	<u>Employee Canteen Account</u>	<u>Total</u>	
						2014	2013
ASSETS							
Cash and cash equivalents	\$ 19,476	\$ 14,367	\$ 52,909	\$ 55,970	\$ 1,783	\$ 144,505	\$ 138,075
LIABILITIES							
Amounts held for others	\$ 19,476	\$ 14,367	\$ 52,909	\$ 55,970	\$ 1,783	\$ 144,505	\$ 138,075

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Agency Funds
 Schedule of Changes in Assets and Liabilities
 At June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Work Release Account				
Assets:				
Cash	\$ <u>18,746</u>	\$ <u>234,072</u>	\$ <u>233,342</u>	\$ <u>19,476</u>
Liabilities:				
Amounts held for others	\$ <u>18,746</u>	\$ <u>234,072</u>	\$ <u>233,342</u>	\$ <u>19,476</u>
Home Electronic Monitoring Account				
Assets:				
Cash	\$ <u>14,946</u>	<u>21,997</u>	\$ <u>22,576</u>	\$ <u>14,367</u>
Liabilities:				
Amounts held for others	\$ <u>14,946</u>	\$ <u>21,997</u>	\$ <u>22,576</u>	\$ <u>14,367</u>
Inmate Canteen Account				
Assets:				
Cash	\$ <u>36,817</u>	\$ <u>316,515</u>	\$ <u>300,423</u>	\$ <u>52,909</u>
Liabilities:				
Amounts held for others	\$ <u>36,817</u>	\$ <u>316,515</u>	\$ <u>300,423</u>	\$ <u>52,909</u>
Inmate Administration Account				
Assets:				
Cash	\$ <u>63,920</u>	\$ <u>487,036</u>	\$ <u>494,986</u>	\$ <u>55,970</u>
Liabilities:				
Amounts held for others	\$ <u>63,920</u>	\$ <u>487,036</u>	\$ <u>494,986</u>	\$ <u>55,970</u>
Employee Canteen Account				
Assets:				
Cash	\$ <u>3,646</u>	\$ <u>22,556</u>	\$ <u>24,419</u>	\$ <u>1,783</u>
Liabilities:				
Amounts held for others	\$ <u>3,646</u>	\$ <u>22,556</u>	\$ <u>24,419</u>	\$ <u>1,783</u>
Total				
Assets:				
Cash	\$ <u>138,075</u>	\$ <u>1,082,176</u>	\$ <u>1,075,746</u>	\$ <u>144,505</u>
Liabilities:				
Amounts held for others	\$ <u>138,075</u>	\$ <u>1,082,176</u>	\$ <u>1,075,746</u>	\$ <u>144,505</u>

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Board Members of the
Albemarle-Charlottesville Regional Jail Authority
Charlottesville, 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 Albemarle-Charlottesville Regional Jail Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albemarle-Charlottesville 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albemarle-Charlottesville Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Albemarle-Charlottesville 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 Albemarle-Charlottesville 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, Farmer, Cox Associates
Charlottesville, Virginia
October 30, 2014