

CHARLOTTESVILLE - ALBEMARLE
JOINT HEALTH CENTER BUILDING FUND
MODIFIED CASH BASIS
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF ALBEMARLE, VIRGINIA AS FISCAL AGENT FOR
CHARLOTTESVILLE-ALBEMARLE JOINT HEALTH CENTER BUILDING FUND
CHARLOTTESVILLE, VIRGINIA

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities of the Charlottesville-Albemarle Joint Health Center Building Fund as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Charlottesville-Albemarle Joint Health Center Building Fund'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 financial position—modified cash basis of the governmental activities of the Joint Health Center Building Fund, as of June 30, 2016, and the changes in financial position - modified cash basis thereof for the year then ended in accordance with the modified basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Charlottesville-Albemarle Joint Health Center Building Fund's 2015 modified cash basis financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 November 10, 2016 on our consideration of the Charlottesville-Albemarle Joint Health Center Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charlottesville-Albemarle Joint Health Center Building Fund's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 10, 2016

- Financial Statements -

CHARLOTTESVILLE-ALBEMARLE
JOINT HEALTH CENTER BUILDING FUND

Statement of Net Position - Modified Cash Basis
As of June 30, 2016
(With Comparative Amounts for 2015)

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|--------------------------|
| | <u>2016</u> | <u>2015</u> |
| <u>Assets</u> | | |
| Cash and cash equivalents | \$ <u>284,618</u> | \$ <u>276,670</u> |
| Total assets | \$ <u><u>284,618</u></u> | \$ <u><u>276,670</u></u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 27,000 | \$ 14,931 |
| <u>Net Position</u> | | |
| Unrestricted | <u>257,618</u> | <u>261,739</u> |
| Total liabilities and net position | \$ <u><u>284,618</u></u> | \$ <u><u>276,670</u></u> |

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

CHARLOTTESVILLE-ALBEMARLE
JOINT HEALTH CENTER BUILDING FUND

Statement of Activities - Modified Cash Basis

Year Ended June 30, 2016
(With Comparative Amounts for 2015)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--|-----------|----------------------------|--|--------------------------------|--|-------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Loans | Primary Government | |
| | | | | | Governmental Activities | |
| | | | | | 2016 | 2015 |
| Governmental activities: | | | | | | |
| Audit | \$ 1,900 | \$ - | \$ - | \$ - | \$ (1,900) | \$ (1,900) |
| Repairs and maintenance | 43,602 | - | - | - | (43,602) | (48,811) |
| Insurance | 14,434 | - | - | - | (14,434) | (14,756) |
| Total governmental activities | \$ 59,936 | \$ - | \$ - | \$ - | \$ (59,936) | \$ (65,467) |
| General revenues: | | | | | | |
| Unrestricted revenues from use of money and property | | | | | \$ 55,815 | \$ 55,591 |
| Total general revenues | | | | | \$ 55,815 | \$ 55,591 |
| Change in net position | | | | | \$ (4,121) | \$ (9,876) |
| Net position - beginning | | | | | 261,739 | 271,615 |
| Net position - ending | | | | | \$ 257,618 | \$ 261,739 |

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

CHARLOTTESVILLE-ALBEMARLE
JOINT HEALTH CENTER BUILDING FUND

Balance Sheet - Modified Cash Basis
As of June 30, 2016
(With Comparative Amounts for 2015)

| | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|
| Assets | | |
| Cash and cash equivalents | \$ 284,618 | \$ 276,670 |
| | <u>284,618</u> | <u>276,670</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts payable | \$ 27,000 | \$ 14,931 |
| Fund balance | | |
| Undesignated | 257,618 | 261,739 |
| | <u>257,618</u> | <u>261,739</u> |
| Total liabilities and fund balance | \$ 284,618 | \$ 276,670 |
| | <u>284,618</u> | <u>276,670</u> |

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

CHARLOTTESVILLE-ALBEMARLE
JOINT HEALTH CENTER BUILDING FUND

Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis
Year Ended June 30, 2016
(With Comparative Amounts for 2015)

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|--------------------------|--------------------------|
| Revenues: | | |
| Rentals: | | |
| Commonwealth of Virginia | \$ 55,000 | \$ 55,000 |
| Interest | <u>815</u> | <u>591</u> |
| Total revenues | <u>\$ 55,815</u> | <u>\$ 55,591</u> |
| Expenditures: | | |
| Audit | \$ 1,900 | \$ 1,900 |
| Repairs and maintenance | 43,602 | 48,811 |
| Insurance | <u>14,434</u> | <u>14,756</u> |
| Total expenditures | <u>\$ 59,936</u> | <u>\$ 65,467</u> |
| Net change in fund balance | \$ (4,121) | \$ (9,876) |
| Fund balance, beginning of year | <u>261,739</u> | <u>271,615</u> |
| Fund balance, end of year | <u><u>\$ 257,618</u></u> | <u><u>\$ 261,739</u></u> |

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

CHARLOTTESVILLE-ALBEMARLE JOINT HEALTH CENTER BUILDING FUND

Notes to Financial Statements As of June 30, 2016

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Nature of Business:

The Building Fund was established to provide for major betterment and renewals for the Charlottesville-Albemarle Joint Health Center. Revenues are derived from monthly rent paid by the Virginia Department of Health supplemented by contributions from the City and County, if needed. Expenditures are for insurance and maintenance of the building.

B. Financial Reporting Entity:

The Joint Health Center Building Fund has determined that it is a related organization to the City of Charlottesville and the County of Albemarle in accordance with Governmental Accounting Standards Board Statement (GASB) 14 and as amended by GASB No. 39. The Joint Health Center Building Fund is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's or County's financial statements. The City and the County provide the financial support for the Joint Health Center Building Fund. No one locality contributes more than 50% of the Building Fund's funding or has oversight responsibility for its operations.

C. Basis of Accounting:

The financial statements of the Building Fund have been prepared on the modified cash basis of accounting which reflects only certain receivables and payables; inventories, accrued income and expenses, use of estimates, capital assets, and depreciation, which are estimated to be material in amount, are not reflected, and these statements do not present the overall financial position or results of operations. Minor additions and replacements of furniture and equipment intended to be paid for out of normally recurring income are included in expenditures in lieu of depreciation in the financial statements. Consequently, certain revenues and expenditures are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with generally accepted accounting principles.

D. Cash and Cash Equivalents:

The Building Fund's cash and cash equivalents is part of the pooled cash and investments of the County of Albemarle. All cash on hand, in banks, and certificates of deposit and investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

E. Comparative Amounts:

Comparative amounts are presented for informational purposes only.

F. Fund Balance:

Fund balance is the difference between 1) assets and deferred outflows of resources and 2) 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 fund balance.

CHARLOTTESVILLE-ALBEMARLE JOINT HEALTH CENTER BUILDING FUND

Notes to Financial Statements As of June 30, 2016 (continued)

NOTE 1 - NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Fund Balance Flow Assumption:

Sometimes the government 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 - fund balance and unrestricted - fund balance 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 Building Fund's policy to consider restricted - fund balance to have been depleted before unrestricted - fund balance is applied.

H. Deferred Outflows/Inflows of Resources:

In addition to assets, the balance sheet 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 Building Fund does not have any deferred outflows of resources as of June 30, 2016.

In addition to liabilities, the balance sheet 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 Building Fund does not have any deferred inflows of resources at June 30, 2016.

NOTE 2 - DEPOSITS AND INVESTMENTS:

The Building Fund's cash and cash equivalents are a part of the pooled cash and investments of the County of Albemarle, the Fund's fiscal agent. The components of the Fund's cash and cash equivalents are not separately identifiable. At year-end, the County's deposits with banks and savings institutions were covered by Federal Deposit Insurance Corporation or collateralized in accordance with the Virginia Security for Public Deposits Act. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. Of the bank balances none were uninsured and uncollateralized in banks or savings and loans not qualifying under that Act at June 30, 2016.

NOTE 3 - LAND AND BUILDING:

On February 14, 1963, the Building Fund purchased land for the construction of the Joint Health Center building, which was completed in December 1963. In September 1978, an expansion of the building was completed. The construction and expansion costs were financed 55% and 50%, respectively, by grants from Federal Hill-Burton Funds. The remaining costs were shared by the County of Albemarle and the City of Charlottesville.

CHARLOTTESVILLE-ALBEMARLE JOINT HEALTH CENTER BUILDING FUND

Notes to Financial Statements As of June 30, 2016 (continued)

NOTE 3 - LAND AND BUILDING: (CONTINUED)

Total costs of land and building were financed as follows:

| | <u>Land</u> | <u>Building</u> | <u>Building Improvements</u> | <u>Furniture & Fixtures</u> | <u>Total</u> |
|---------------------------|------------------|-------------------|----------------------------------|-------------------------------------|---------------------|
| Federal Hill-Burton Funds | \$ 19,597 | \$ 132,818 | \$ 169,968 | \$ - | \$ 322,383 |
| County of Albemarle | 8,017 | 53,682 | 93,251 | - | 154,950 |
| City of Charlottesville | 8,017 | 53,682 | 93,250 | - | 154,949 |
| General revenues | <u>-</u> | <u>-</u> | <u>373,375</u> | <u>43,072</u> | <u>416,447</u> |
| Total | <u>\$ 35,631</u> | <u>\$ 240,182</u> | <u>\$ 729,844</u> | <u>\$ 43,072</u> | <u>\$ 1,048,729</u> |

NOTE 4 - FISCAL AGENT:

All accounting, purchasing, and related record keeping activities for the Joint Health Center Building Fund are maintained by the County of Albemarle as fiscal agent. All disbursements are authorized by the County of Albemarle. For fiscal year ending June 30, 2017, the City of Charlottesville will become the fiscal agent.

NOTE 5 - REVENUES:

Revenues consist primarily of rental revenues from the Commonwealth of Virginia.

- 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 HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF ALBEMARLE, VIRGINIA AS FISCAL AGENT FOR
CHARLOTTESVILLE-ALBEMARLE JOINT HEALTH CENTER BUILDING FUND
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 modified cash basis financial statements of the governmental activities of Charlottesville-Albemarle Joint Health Center as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Charlottesville-Albemarle Joint Health Center's basic financial statements and have issued our report thereon dated November 10, 2016.

Internal Control over Financial Reporting

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

November 10, 2016