
**ALBEMARLE-CHARLOTTESVILLE
REGIONAL JAIL AUTHORITY**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

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

David Hill	Steven Carter	Cyndra Van Clief
James Brown III	John E. Harding	Kristen Szakos
Donald Byers	Kathy Johnson-Harris	Doug Walker
Diantha McKeel		

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, 2016

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board Members of
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, 2016, 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 financial position of the business-type activities of Albemarle-Charlottesville Regional Jail Authority, as of June 30, 2016, and the 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2016, the Authority adopted new accounting guidance, GASB Statement No. 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules related to pension and OPEB funding on pages 38-41 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 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 2015 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 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
November 10, 2016

- Basic Financial Statements -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

**Statement of Net Position
As of June 30, 2016
(With Comparative Amounts for 2015)**

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,172,128	\$ 3,633,430
Restricted cash and cash equivalents	263,250	170,529
Prepaid items	1,692	988
Accounts receivable	64,778	59,225
Due from other governments	1,730,049	2,022,992
Total current assets	\$ <u>7,231,897</u>	\$ <u>5,887,164</u>
Capital assets:		
Capital assets, not being depreciated:		
Land	\$ <u>74,947</u>	\$ <u>74,947</u>
Capital assets, being depreciated:		
Building and improvements	\$ 22,352,277	\$ 22,352,277
Equipment	2,947,070	2,898,557
Vehicles	342,403	286,864
Accumulated depreciation	(15,958,585)	(15,062,125)
Total capital assets being depreciated	\$ <u>9,683,165</u>	\$ <u>10,475,573</u>
Total capital assets	\$ <u>9,758,112</u>	\$ <u>10,550,520</u>
Total assets	\$ <u>16,990,009</u>	\$ <u>16,437,684</u>
Deferred Outflows of Resources		
Post measurement date employer pension contributions	\$ <u>929,797</u>	\$ <u>932,733</u>
Total assets and deferred outflows of resources	\$ <u><u>17,919,806</u></u>	\$ <u><u>17,370,417</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 337,662	\$ 243,024
Compensation payable	88,537	82,903
Compensated absences - current portion	92,391	89,147
Unearned revenue - current portion	213,033	-
Amounts refunded to participating localities	338,098	-
Amounts held for others	263,250	170,529
Long-term debt due within one year	404,515	388,279
Total current liabilities	\$ <u>1,737,486</u>	\$ <u>973,882</u>
Noncurrent liabilities:		
Net OPEB obligation	\$ 1,378,000	\$ 1,213,000
Unearned revenue - net of current portion	337,303	-
Compensated absences - net of current portion	831,522	802,323
Net pension liability	1,656,548	2,044,330
Long-term debt due after one year	4,349,553	4,754,068
Total noncurrent liabilities	\$ <u>8,552,926</u>	\$ <u>8,813,721</u>
Total liabilities	\$ <u>10,290,412</u>	\$ <u>9,787,603</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 445,046	\$ 1,045,569
Difference between expected and actual experience	510,804	-
Total deferred inflows of resources	\$ <u>955,850</u>	\$ <u>1,045,569</u>
Net Position		
Net investment in capital assets	\$ 5,004,044	\$ 5,408,173
Restricted - operations	2,945,285	2,945,285
Unrestricted	(1,275,785)	(1,816,213)
Total net position	\$ <u>6,673,544</u>	\$ <u>6,537,245</u>
Total liabilities, deferred inflows of resources and net position	\$ <u><u>17,919,806</u></u>	\$ <u><u>17,370,417</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, 2016
(With Comparative Amounts for 2015)

	2016	2015
Operating Revenues:		
From local sources:		
Charges for services	\$ 8,846,408	\$ 8,796,653
Miscellaneous	141,006	113,360
Intergovernmental:		
Revenue from the Commonwealth	948,075	727,816
Total operating revenues	\$ 9,935,489	\$ 9,637,829
Operating Expenses:		
Compensation and related items	\$ 10,524,964	\$ 10,550,564
Contractual	1,007,489	825,531
Other charges	2,386,094	2,448,902
Depreciation	896,460	890,468
Total operating expenses	\$ 14,815,007	\$ 14,715,465
Net operating income (loss)	\$ (4,879,518)	\$ (5,077,636)
Nonoperating Revenues (expenses):		
Operating grants:		
State	\$ 4,515,372	\$ 4,337,224
Federal	60,656	17,368
Debt service assessments	580,415	566,324
Interest income	14,838	7,911
Gain on disposal of assets	-	9,898
Tower lease	27,620	24,679
Interest expense	(183,084)	(197,143)
Total nonoperating revenues (expenses)	\$ 5,015,817	\$ 4,766,261
Change in net position	\$ 136,299	\$ (311,375)
Net position, beginning of year	6,537,245	6,848,620
Net position, end of year	\$ 6,673,544	\$ 6,537,245

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Amounts for 2015)

	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$ 11,111,313	\$ 9,623,810
Payments to suppliers	(3,299,649)	(3,304,370)
Payments to and for employees	(10,796,452)	(10,652,964)
Net cash provided by (used for) operating activities	\$ (2,984,788)	\$ (4,333,524)
Cash flows from non-capital financing activities:		
Intergovernmental grants	\$ 4,576,028	\$ 4,354,592
Other	27,620	24,679
Net cash provided by (used for) non-capital financing activities	\$ 4,603,648	\$ 4,379,271
Cash flows from investing activities:		
Interest income	\$ 14,838	\$ 7,911
Cash flows from capital and related financing activities:		
Debt service assessments	\$ 580,415	\$ 566,324
Proceeds from sale of assets	-	9,898
Purchase of capital assets	(104,052)	(79,431)
Principal payments on long-term debt	(388,279)	(371,677)
Interest expense	(183,084)	(197,143)
Net cash provided by (used for) capital and related financing activities	\$ (95,000)	\$ (72,029)
Net change in cash and cash equivalents	\$ 1,538,698	\$ (18,371)
Cash and cash equivalents, beginning of year	3,633,430	3,651,801
Cash and cash equivalents, end of year	\$ 5,172,128	\$ 3,633,430
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (4,879,518)	\$ (5,077,636)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	896,460	890,468
Net pension activity	(474,565)	(257,343)
Changes in assets and liabilities:		
Prepaid items	(704)	4,241
Accounts receivable	(5,553)	(18,007)
Due from other governments	292,943	3,988
Accounts payable	94,638	(34,178)
Amounts refunded to participating localities	338,098	-
Unearned revenue	550,336	-
Net OPEB obligation	165,000	136,000
Compensation payable	5,634	(10,185)
Compensated absences	32,443	29,128
Net cash provided by (used for) operating activities	\$ (2,984,788)	\$ (4,333,524)

See accompanying notes to financial statements.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2016

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 POLICIES:

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.

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 and has an estimated useful life greater than one year. Donated capital assets are valued at acquisition 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:

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

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

B. Capital Assets: (continued)

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

Depreciation totaled \$896,460 for 2016 and \$890,468 for 2015.

C. Compensated Absences:

Vacation pay and other related employee benefits are accrued when earned. At June 30, 2016 and 2015, unpaid vacation and related benefits amounted to approximately \$923,913 and \$891,470, 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.

H. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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

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

I. 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 only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

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 has two types of items that qualify for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

J. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. 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.

L. 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.

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

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

M. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The Authority early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

N. Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2016 (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:

Receivables and amounts due from other governments are as follows:

	<u>2016</u>	<u>2015</u>
Accounts receivable:		
Other	\$ 64,778	\$ 59,225
Total accounts receivable	<u>\$ 64,778</u>	<u>\$ 59,225</u>
Due from other governmental units:		
Commonwealth of Virginia:		
State Compensation Board	\$ 392,206	\$ 383,375
Department of Corrections	225,024	27,091
County of Albemarle	277,504	564,235
City of Charlottesville	752,220	713,244
County of Nelson	50,711	73,500
Other	<u>32,384</u>	<u>261,547</u>
Total due from other governmental units	<u>\$ 1,730,049</u>	<u>\$ 2,022,992</u>
Total receivables	<u><u>\$ 1,794,827</u></u>	<u><u>\$ 2,082,217</u></u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 5 - CAPITAL ASSETS:

Changes in capital assets are summarized below:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 74,947	\$ -	\$ -	\$ 74,947
Total capital assets not being depreciated	\$ 74,947	\$ -	\$ -	\$ 74,947
Capital assets being depreciated:				
Building and improvements	\$ 22,352,277	\$ -	\$ -	\$ 22,352,277
Equipment	2,898,557	48,513	-	2,947,070
Vehicles	286,864	55,539	-	342,403
Total capital assets being depreciated	\$ 25,537,698	\$ 104,052	\$ -	\$ 25,641,750
Accumulated depreciation:				
Building and improvements	\$ 12,221,690	\$ 672,247	\$ -	\$ 12,893,937
Equipment	2,596,545	201,469	-	2,798,014
Vehicles	243,890	22,744	-	266,634
Total accumulated depreciation	\$ 15,062,125	\$ 896,460	\$ -	\$ 15,958,585
Total capital assets being depreciated, net	\$ 10,475,573	\$ (792,408)	\$ -	\$ 9,683,165
Net capital assets	\$ 10,550,520	\$ (792,408)	\$ -	\$ 9,758,112

Depreciation expense was \$896,460 in 2016.

NOTE 6 - LONG-TERM OBLIGATIONS:

\$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.

\$ 4,754,068

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

Annual requirements to amortize principal and interest are as follows:

Fiscal Year	Revenue Bonds	
	Principal	Interest
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	\$ 4,754,068	\$ 932,037

The following details the changes in long-term debt:

Balance, July 1, 2015	\$ 5,142,347
Principal payments	(388,279)
Balance, June 30, 2016	\$ 4,754,068

The following is a summary of changes in compensated absences for the fiscal year ending June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Compensated absences	\$ 891,470	\$ 84,842	\$ 52,399	\$ 923,913	\$ 92,391

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN:

Plan Description

All full-time, salaried permanent employees of the Albemarle-Charlottesville Regional Jail Authority are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>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 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.</p>	<p>About the Hybrid Retirement Plan</p> <p>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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in 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.</p> <p>Hybrid Opt-In Election Eligible 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>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.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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. Plan 1 or 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.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) 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.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> 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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: 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 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 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. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p>	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	40
Inactive members:	
Vested inactive members	15
Non-vested inactive members	81
Inactive members active elsewhere in VRS	<u>74</u>
Total inactive members	170
Active members	<u>144</u>
Total covered employees	<u><u>354</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The Authority's contractually required contribution rate for the year ended June 30, 2016 was 12.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$929,797 and \$929,429 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Actuarial Assumptions - Public Safety Employees (continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 19,629,890	\$ 17,585,560	\$ 2,044,330
Changes for the year:			
Service cost	\$ 1,055,855	\$ -	\$ 1,055,855
Interest	1,355,475	-	1,355,475
Differences between expected and actual experience	(688,167)	-	(688,167)
Contributions - employer	-	928,667	(928,667)
Contributions - employee	-	359,738	(359,738)
Net investment income	-	833,179	(833,179)
Benefit payments, including refunds of employee contributions	(531,932)	(531,932)	-
Administrative expenses	-	(10,461)	10,461
Other changes	-	(178)	178
Net changes	\$ 1,191,231	\$ 1,579,013	\$ (387,782)
Balances at June 30, 2015	\$ 20,821,121	\$ 19,164,573	\$ 1,656,548

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 7 - PENSION PLAN: (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability (Asset)	\$ 4,883,333	\$ 1,656,548	\$ (989,403)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Authority recognized pension expense of \$451,166. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 510,804
Net difference between projected and actual earnings on pension plan investments	-	445,046
Employer contributions subsequent to the measurement date	929,797	-
Total	\$ 929,797	\$ 955,850

\$929,797 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	\$ (353,972)
2018	(353,972)
2019	(332,688)
2020	84,782
Thereafter	-

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements As of June 30, 2016 (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 \$12,000 for the Albemarle-Charlottesville Regional Jail Authority for fiscal year 2016. 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 2016 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, 2014	\$ 169,000	\$ 38,000	22%	\$ 131,000
June 30, 2015	179,000	43,000	24%	136,000
June 30, 2016	177,000	12,000	7%	165,000

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS VERIP: (continued)

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

For 2016, the Authority's estimated contribution of \$12,000 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:

	Albemarle - Charlottesville Regional Jail
Annual required contribution	\$ 189,000
Interest on net OPEB obligation	42,000
Adjustment to annual required contribution	(54,000)
Annual OPEB cost (expense)	\$ 177,000
Contributions made	12,000
Increase (decrease) in net OPEB obligation	\$ 165,000
Net OPEB obligation - beginning of year	1,213,000
Net OPEB obligation - end of year	\$ 1,378,000

D. Funded Status and Funding Progress:

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	\$ 1,636,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,636,000
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active plan members)	7,012,411
UAAL as a percentage of covered payroll	23.33%

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-rata to assumed benefit commencement.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2016 (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 16 is \$8,388. 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 7.0% in FY 17 to 6.1% in FY 26.

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	3.50%
Payroll Growth	4.00%
Inflation rate	3.00%
Investment return	4.00%
VERIP increase	3.00%

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 2015, 1.60% 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>
2017	6.00%	2022	6.20%
2018	6.40%	2023	6.10%
2019	6.40%	2024	6.10%
2020	6.20%	2025	6.10%
2021	6.20%	2026	6.10%

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Financial Statements
As of June 30, 2016 (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:

	<u>Total costs</u>	<u>Single</u>	<u>Family</u>
1. Explicit Costs			
a. Pre-Medicare	\$ 9,762	\$ 11,910	
b. Medicare age	-	-	
2. Total Medical Costs			
a. Under 50	\$ 5,691	\$ 11,497	
b. Age 50-54	6,775	13,686	
c. Age 55-59	7,818	15,792	
d. Age 60-64	9,277	18,740	
e. Over Age 65	-	-	
2. Total Drug Costs			
a. Under 50	\$ 1,549	\$ 3,129	
b. Age 50-54	1,974	3,987	
c. Age 55-59	2,338	4,724	
d. Age 60-64	2,672	5,398	
e. Over Age 65	-	-	

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY**Notes to Financial Statements
As of June 30, 2016 (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 166,565 for the year ended June 30, 2016 and 168,320 for 2015. Costs incurred in the operation of the Authority are as follows:

	<u>2016</u>	<u>2015</u>
Total operating expenses per budgetary basis	\$ 14,332,163	\$ 14,025,770
Less:		
Charges to others for prisoner care and other sources	(873,604)	(740,446)
Reimbursed expenditures from the Commonwealth	<u>(5,463,447)</u>	<u>(5,065,040)</u>
Net cost to participant localities	<u>\$ 7,995,112</u>	<u>\$ 8,220,284</u>
Total prisoner days for participant localities	<u>166,565</u>	<u>168,320</u>
Actual local cost per diem	<u>\$ 48.00</u>	<u>\$ 48.84</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, 2016, 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, 2016 this fund totaled \$2,945,285.

NOTE 13 - CAPITAL PROJECTS:

At June 30, 2016, the Authority had \$793,207 in commitments for capital projects and related subsequent year expenses.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

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

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.

NOTE 15 - UNEARNED REVENUE:

In January 2016 the Authority received a payment in the amount of \$639,100 as a prepayment of a three year agreement for use of inmate telephones from IC Solutions. The Authority has recognized revenue totaling \$88,764 during the fiscal year ended June 30, 2016 and has deferred \$550,336 for the next 31 months. The amount to be earned in fiscal year 17 is \$213,033 and the long-term portion is \$337,303.

- Required Supplementary Information -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

**Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2016**

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 1,055,855	\$ 1,079,154
Interest	1,355,475	1,231,631
Differences between actual and expected experience	(688,167)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(531,932)	(551,240)
Net change in total pension liability	\$ 1,191,231	\$ 1,759,545
Total pension liability - beginning	19,629,890	17,870,345
Total pension liability - ending (a)	\$ <u>20,821,121</u>	\$ <u>19,629,890</u>
 Plan fiduciary net position		
Contributions - employer	\$ 928,667	\$ 1,035,858
Contributions - employee	359,738	347,577
Net investment income	833,179	2,345,078
Benefit payments, including refunds of employee contributions	(531,932)	(551,240)
Administrative expense	(10,461)	(11,815)
Other	(178)	123
Net change in plan fiduciary net position	\$ 1,579,013	\$ 3,165,581
Plan fiduciary net position - beginning	17,585,560	14,419,979
Plan fiduciary net position - ending (b)	\$ <u>19,164,573</u>	\$ <u>17,585,560</u>
 Authority's net pension liability - ending (a) - (b)	\$ 1,656,548	\$ 2,044,330
 Plan fiduciary net position as a percentage of the total pension liability	92.04%	89.59%
 Covered payroll	\$ 7,216,060	\$ 6,952,333
 Authority's net pension liability as a percentage of covered payroll	22.96%	29.40%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

**Schedule of Employer Contributions
Last Ten Fiscal Years**

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	\$ 929,797	\$ 929,797	\$ -	\$ 7,218,920	12.88%
2015	929,429	929,429	-	7,216,060	12.88%
2014	1,035,898	1,035,898	-	6,952,333	14.90%
2013	1,033,509	1,033,509	-	6,936,299	14.90%
2012	867,090	867,090	-	6,644,369	13.05%
2011	844,631	844,631	-	6,472,271	13.05%
2010	782,191	782,191	-	6,819,449	11.47%
2009	754,781	754,781	-	6,580,484	11.47%
2008	654,460	654,460	-	6,145,165	10.65%
2007	562,513	562,513	-	5,763,458	9.76%

Current year contributions are from Authority records and prior year contributions are from information provided by the Virginia Retirement System.

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Notes to Required Supplementary Information Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Other Postemployment Benefits Funding Progress
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2015	\$ -	\$ 1,636,000	\$ 1,636,000	0.00%	\$ 7,012,411	23.33%
June 30, 2014	-	1,574,000	1,574,000	0.00%	6,942,485	22.67%
June 30, 2013	-	1,446,000	1,446,000	0.00%	6,916,181	20.91%

- Other Supplementary Information -

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Revenues and Expenses
Budgetary Basis
Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services:				
Care of prisoners:				
City of Charlottesville	\$ 4,513,319	\$ 4,513,319	\$ 4,332,774	\$ (180,545)
County of Albemarle	3,330,052	3,330,052	3,196,842	(133,210)
County of Nelson	608,537	608,537	584,194	(24,343)
Other localities	7,000	7,000	87,043	80,043
Federal	185,000	185,000	113,862	(71,138)
Work release	48,000	48,000	64,746	16,746
Inmate telephone	210,000	210,000	229,919	19,919
Daily inmate charges	80,000	80,000	98,438	18,438
Other	2,500	2,500	138,590	136,090
Total charges for services	\$ 8,984,408	\$ 8,984,408	\$ 8,846,408	\$ (138,000)
Miscellaneous:				
Other	\$ 110,100	\$ 110,100	\$ 141,006	\$ 30,906
Intergovernmental:				
Revenue from the Commonwealth:				
Department of Corrections	750,000	750,000	948,075	198,075
Total operating revenues	\$ 9,844,508	\$ 9,844,508	\$ 9,935,489	\$ 90,981
Expenses:				
Compensation and related items:				
Salaries and wages	\$ 7,947,300	\$ 7,947,300	\$ 7,698,605	\$ 248,695
Fringes:				
Social security and medicare taxes	607,808	607,808	566,256	41,552
Retirement	985,036	985,036	930,027	55,009
Health insurance	1,247,040	1,247,040	1,371,379	(124,339)
Dental insurance	33,881	33,881	33,660	221
Life insurance	102,428	102,428	85,968	16,460
Unemployment	15,000	15,000	1,899	13,101
Workers compensation	100,000	100,000	114,752	(14,752)
Employee physical assessments	2,500	2,500	4,225	(1,725)
Other employee benefits	34,000	34,000	27,758	6,242
Total compensation and related items	\$ 11,074,993	\$ 11,074,993	\$ 10,834,529	\$ 240,464
Contractual:				
Legal	\$ 32,000	\$ 32,000	\$ 31,203	\$ 797
Professional services	20,000	20,000	24,468	(4,468)
Health services	262,000	262,000	567,720	(305,720)
Audit	11,000	11,000	13,522	(2,522)
Repairs and maintenance	68,000	68,000	57,257	10,743
Maintenance contracts	120,000	120,000	102,275	17,725

Schedule of Revenues and Expenses
 Budgetary Basis
 Year Ended June 30, 2016 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenses: (continued)				
Contractual: (continued)				
Printing and binding	\$ 6,000	\$ 6,000	\$ 490	\$ 5,510
Advertising	500.00	500	7,661	(7,161)
Other purchased services	2,500	2,500	3,685	(1,185)
Refuse collection	10,000	10,000	14,595	(4,595)
Administration fees	142,715	142,715	142,715	-
Data processing	26,630	26,630	41,898	(15,268)
Total contractual	\$ 701,345	\$ 701,345	\$ 1,007,489	\$ (306,144)
Other charges:				
Electrical	\$ 225,000	\$ 225,000	\$ 205,359	\$ 19,641
Heating	130,000	130,000	83,735	46,265
Water and sewer	245,000	245,000	281,927	(36,927)
Postal services	7,000	7,000	8,102	(1,102)
Telecommunications	55,000	55,000	47,647	7,353
Fire insurance	26,000	26,000	22,306	3,694
Automotive insurance	6,000	6,000	4,977	1,023
Work release insurance	19,000.00	19,000	19,219	(219)
Leases, rentals	26,000	26,000	17,349	8,651
Training - Academy	75,000	75,000	68,093	6,907
Travel - education	32,260	32,260	28,017	4,243
Travel - subsistence	2,500	2,500	1,559	941
Miscellaneous	18,000	18,000	53,884	(35,884)
Inclement weather	3,000	3,000	2,849	151
Dues and memberships	7,500	7,500	13,427	(5,927)
Office supplies	32,000	32,000	46,558	(14,558)
Food supplies	793,075	793,075	833,310	(40,235)
Medical and lab supplies	340,000	340,000	284,976	55,024
Laundry and janitorial supplies	55,000	55,000	60,471	(5,471)
Kitchen supplies	25,000	25,000	46,925	(21,925)
Linen supplies	12,000	12,000	12,566	(566)
Uniforms - inmates	15,000	15,000	44,634	(29,634)
Repair and maintenance supplies	60,000	60,000	57,551	2,449
Vehicle and equipment fuel, supplies, repairs	31,235	31,235	29,211	2,024
Police supplies	14,500	14,500	15,757	(1,257)
Uniforms and apparel	36,000	36,000	35,924	76
Books and subscriptions	3,600	3,600	2,188	1,412
Education and recreation supplies	10,000	10,000	18,392	(8,392)
Other operating supplies	1,000	1,000	1,318	(318)
Copy expense	500	500	1,060	(560)
Total other charges	\$ 2,306,170	\$ 2,306,170	\$ 2,349,291	\$ (43,121)

Schedule of Revenues and Expenses
 Budgetary Basis
 Year Ended June 30, 2016 (Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Expenses: (continued)				
Capital Outlay:				
Machinery and equipment	\$ 105,000	\$ 105,000	\$ 80,745	\$ 24,255
Other	27,000	27,000	60,109	(33,109)
Total capital outlay	\$ 132,000	\$ 132,000	\$ 140,854	\$ (8,854)
Total expenses	\$ 14,214,508	\$ 14,214,508	\$ 14,332,163	\$ (117,655)
Net operating income (loss)	\$ (4,370,000)	\$ (4,370,000)	\$ (4,396,674)	\$ (26,674)
Nonoperating revenue (expenses):				
Debt service assessments:				
City of Charlottesville	\$ 291,658	\$ 291,658	\$ 283,718	\$ (7,940)
County of Albemarle	257,182	257,182	270,067	12,885
County of Nelson	31,575	31,575	26,630	(4,945)
Total debt service assessments	\$ 580,415	\$ 580,415	\$ 580,415	\$ -
Interest income	\$ 1,000	\$ 1,000	\$ 14,838	\$ 13,838
Intergovernmental:				
Commonwealth of Virginia:				
Operating grants	\$ 4,325,000	\$ 4,325,000	\$ 4,515,372	\$ 190,372
Federal government:				
State Criminal Alien Assistance Program	\$ 15,000	\$ 15,000	\$ 19,136	\$ 4,136
Other federal	5,000	5,000	41,520	36,520
Total federal government	\$ 20,000	\$ 20,000	\$ 60,656	\$ 40,656
Tower lease	\$ 24,000	\$ 24,000	\$ 27,620	\$ 3,620
Debt service (expenses):				
Principal	\$ (404,515)	\$ (404,515)	\$ (388,279)	\$ 16,236
Interest	(175,900)	(175,900)	(183,084)	(7,184)
Total debt service (expenses)	\$ (580,415)	\$ (580,415)	\$ (571,363)	\$ 9,052
Net nonoperating revenues (expenses)	\$ 4,370,000	\$ 4,370,000	\$ 4,627,538	\$ 257,538
Excess (deficiency) of revenues over (under) expenses	\$ -	\$ -	\$ 230,864	\$ 230,864

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

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, 2016

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

Excess (Deficiency) of revenues over (under) expenditures per budgetary basis schedule	\$ 230,864
Acquisition of capital assets	104,052
Depreciation	(896,460)
Net VRS pension activity	474,564
Net OPEB obligation	(165,000)
Principal payments on debt	<u>388,279</u>
Changes in net position, per statement of revenues, expenses, and changes in net position	\$ <u><u>136,299</u></u>

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

Schedule of Restricted Cash and Amounts Held for Others

As of June 30, 2016

(With Comparative Amounts for 2015)

	<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>	
						<u>2016</u>	<u>2015</u>
ASSETS							
Cash and cash equivalents	\$ 14,319	\$ 12,785	\$ 145,446	\$ 87,544	\$ 3,156	\$ 263,250	\$ 170,529
LIABILITIES							
Amounts held for others	\$ 14,319	\$ 12,785	\$ 145,446	\$ 87,544	\$ 3,156	\$ 263,250	\$ 170,529

ALBEMARLE-CHARLOTTESVILLE REGIONAL JAIL AUTHORITY

**Schedule of Restricted Cash Changes in Assets and Liabilities
As of June 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Work Release Account				
Assets:				
Cash	\$ <u>13,944</u>	\$ <u>322,117</u>	\$ <u>321,742</u>	\$ <u>14,319</u>
Liabilities:				
Amounts held for others	\$ <u>13,944</u>	\$ <u>322,117</u>	\$ <u>321,742</u>	\$ <u>14,319</u>
Home Electronic Monitoring Account				
Assets:				
Cash	\$ <u>12,911</u>	29,551	\$ <u>29,677</u>	\$ <u>12,785</u>
Liabilities:				
Amounts held for others	\$ <u>12,911</u>	\$ <u>29,551</u>	\$ <u>29,677</u>	\$ <u>12,785</u>
Inmate Canteen Account				
Assets:				
Cash	\$ <u>77,519</u>	\$ <u>481,990</u>	\$ <u>414,063</u>	\$ <u>145,446</u>
Liabilities:				
Amounts held for others	\$ <u>77,519</u>	\$ <u>481,990</u>	\$ <u>414,063</u>	\$ <u>145,446</u>
Inmate Administration Account				
Assets:				
Cash	\$ <u>62,019</u>	\$ <u>797,957</u>	\$ <u>772,432</u>	\$ <u>87,544</u>
Liabilities:				
Amounts held for others	\$ <u>62,019</u>	\$ <u>797,957</u>	\$ <u>772,432</u>	\$ <u>87,544</u>
Employee Canteen Account				
Assets:				
Cash	\$ <u>4,136</u>	\$ <u>12,343</u>	\$ <u>13,323</u>	\$ <u>3,156</u>
Liabilities:				
Amounts held for others	\$ <u>4,136</u>	\$ <u>12,343</u>	\$ <u>13,323</u>	\$ <u>3,156</u>
Total				
Assets:				
Cash	\$ <u>170,529</u>	\$ <u>1,643,958</u>	\$ <u>1,551,237</u>	\$ <u>263,250</u>
Liabilities:				
Amounts held for others	\$ <u>170,529</u>	\$ <u>1,643,958</u>	\$ <u>1,551,237</u>	\$ <u>263,250</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
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, 2016, and the related notes to the 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 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

November 10, 2016