APPALACHIAN JUVENILE COMMISSION

FINANCIAL REPORT

June 30, 2015

APPALACHIAN JUVENILE COMMISSION

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Appalachian Juvenile Commission
Bristol, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Appalachian Juvenile Commission, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 misstatements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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 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 Appalachian Juvenile Commission as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Accompanying Schedule of Revenue and Support, Schedule of Revenue from Juvenile Detention, and the Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The Required Supplementary Information are presented for purposes of additional analysis as required by the *Specification for Audits of Counties, Cities and Towns by the Commonwealth of Virginia.* The Accompanying Schedules and the Required Supplementary Information are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Appalachian Juvenile Commission's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
November 18, 2015

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 2,842,155
Accounts receivable	11,784
Prepaid expenses	1,480
Deferred pension outflows	219,612
Total Current Assets	3,075,031
Property and equipment, net	1,946,847
Total Assets	$ 5,021,878
LIABILITIES	
Current Liabilities	
Accounts payable	$ 32,593
Payroll liabilities	2,787
Accrued compensated absences and salaries	134,247
Current portion - deferred pension inflows	62,480
Current portion - postemployment benefit obligation	8,726
Total Current Liabilities	240,833
Long-term Liabilities	
Deferred pension inflows	187,442
Net pension liability	1,404,589
Postemployment benefit obligation	339,604
Total Long-term Liabilities	1,931,635
Total Liabilities	2,172,468
NET ASSETS	
Unrestricted	2,849,410
Total Liabilities and Net Assets	$ 5,021,878

The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Local revenue - juvenile detention	$ 2,665,572
State revenue - juvenile detention	354,789
State - Commonwealth of Virginia block grant	832,262
Federal funds	71,277
Interest income	12,585
Miscellaneous	40,261
Total Unrestricted Support and Revenue	3,976,746
EXPENSES	3,569,159
Increase (Decrease) in Net Assets	407,587
NET ASSETS AT BEGINNING OF YEAR (Restated)	2,441,823
NET ASSETS AT END OF YEAR	$ 2,849,410

The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	$ 407,587
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	99,934
(Increase) decrease in operating assets	
Receivables	1,901
Deferred pension outflows	(219,612)
Increase (decrease) in operating liabilities	
Accounts payable	4,986
Accrued salaries and compensated absences	3,964
Postemployment benefit obligation (Gain)	20,947
Net pension liability and deferred pension inflows	1,654,511
Payroll liabilities	(29,045)
Net cash provided by operating activities	1,945,173
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(24,947)
Net cash used by investing activities	(24,947)
CASH FLOWS FROM FINANCING ACTIVITIES	
Prior period pension restatement	(1,493,277)
Distribution to localities	(75,000)
Net cash used by financing activities	(1,568,277)
Net increase (decrease) in cash and cash equivalents	351,949
CASH AND CASH EQUIVALENTS, Beginning	2,490,206
CASH AND CASH EQUIVALENTS, Ending	$ 2,842,155
SUPPLEMENTAL INFORMATION:	
Interest paid	$ -

The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational History

The Highlands Juvenile Detention Center Commission was organized as of July 1, 1984, and exists by virtue of concurrent resolutions of the counties of Washington, Smyth, and the City of Bristol, all of which are in the Commonwealth of Virginia, which resolutions implement Article 13 of Title 16.1-315 of the Code of Virginia, and as so provided, is a corporate and political public body with all the powers and duties granted to it under the Code of Virginia.

Effective July 1, 2003, the Commission was expanded to allow the counties of Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, Scott and the City of Norton to buy into the Commission's regionalization over a five year period for approximately $980,000.

Effective July 1, 2005, Highlands Juvenile Detention Center Commission and Southwest Regional Group Home merged together to enhance the services to the youth of Southwest Virginia. The combined Commissions operate under the umbrella of one Commission known as the Appalachian Juvenile Commission. As of July 1, 2011, the Commission no longer operates the group home.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual method of accounting.

Cash and Cash Equivalents

Cash and cash equivalents includes all monies in banks and highly liquid investments with maturity dates of three months or less and which are not subject to withdrawal restrictions or penalties.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The counties of the Commission jointly own the building the Commission occupies. It was constructed in the year 1972-73 and was occupied in July 1973. The land on which the building resides was donated to the Commission in 1998. The donation was unrestricted. Expenditures for the acquisition of property and equipment with a cost greater than $1,000 and a useful life of greater than one year are capitalized at cost. Depreciation is provided over the estimated useful lives of the building and improvements (40 years) and equipment and furniture (5-15 years) on the straight-line method.

The Commission reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from the use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2015.

Employee Benefits

The cost of employee benefits and compensated absences are accrued as vested to the employee. The Commission does not maintain any unfunded retirement plans. The postemployment and postretirement health benefits are unfunded; thus, no plan assets are set aside for funding.

Financial Statement Presentation

The financial statement presentation follows requirements of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board Accounting Standards Codification. Under the Not-for-Profit Topic, the Commission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Appalachian Juvenile Commission is a not-for-profit organization that is exempt from federal income taxes under Internal Revenue Code Section 501 (c) (3) except on net income derived from unrelated business activities. The Commission did not have any unrelated business income subject to tax. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE B. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015, consisted of the following:

Land	$ 111,714
Building and improvements	3,078,135
Equipment & vehicles	497,461
	3,687,310
Less accumulated depreciation	1,740,463
Total Property and Equipment	$ 1,946,847

Depreciation expense for the current period is $99,934.

NOTE C. NATURE OF FUNDING POLICIES

State Funding:

State funding to support locally operated adult and juvenile programs is recorded using block grants. In accordance with Virginia Code Sections 16.1-322.1, 16.1-322.2, 16.1-309.6, and 16.1-309.7, the Commission was awarded initial grants, subject to revisions, to supplement the operation of the local correctional programs. The Commission received $832,262 in Virginia block grant funds and $353,389 in Juvenile Community Crime Control Act grant funds for the year ended June 30, 2015. Pursuant to Sections 16.1-322.2 and 16.1-309.7 of the Code, any unexpended funds at the end of each fiscal year shall be retained by the locality and subsequently expended for operating expenses of the Commission.

NOTE D. CONCENTRATIONS OF RISK

The Commission maintains its operating and capital replacement cash balances at one financial institution located in Bristol TN/VA. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to $250,000. The bank collateralizes any amounts greater than $250,000 as public funds.

NOTE E. RESTATEMENT OF FUND BALANCE

In October, 2011, the commission agreed to return to the localities any profits that exceeded six percent of net income. The beginning net assets on the statement of activities was restated to reflect a return of $ 75,000 to the localities for fiscal year 2015.

Then beginning net assets was restated to record $1,493,277 net pension liability for June 30, 2014.

NOTE F. SUBSEQUENT EVENT

Subsequent events have been evaluated through November 18, 2015, which is the date the financial statements were available to be issued.

NOTE G. LEASES

Appalachian Juvenile Commission entered into a lease on May 1, 2014 for additional office space. The terms of this lease is for fourteen months at $1,080 per month which includes the 27% shared utility cost and terminates on June 30, 2015. The Commission may renew the lease for a one year option for three years. The renewal rate shall be a three percent increase in the basic rental rate plus 27% of shared utility cost.

The projected annual lease amounts for the succeeding three year period based upon the lease agreement are as follows:

Schedule of Future Lease Payments:

Fiscal Year Ending	Basic Rate	Plus Additional Rate
June 30, 2016	$12,557	Plus 27% of shared utility expense
June 30, 2017	$12,926	Plus 27% of shared utility expenses
June 30, 2018	$13,314	Plus 27% of shared utility expenses

Office space rental expense (including 27% shared utility expenses) for June 30, 2015 was $12,960.

The Commission also has non-material leases for office equipment which are treated as operating leases in the Statement of Activities.

NOTE H. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

The Commission sponsors postemployment health benefits to certain former employees. Effective January 1, 2004, the Commission adopted an unfunded postretirement health and dental plan for all employees.

The ASC 715-60 standard on accounting for postretirement benefits other than pensions requires the following disclosure with regard to the retiree medical insurance liability:

Description of the Retiree Medical Insurance Plans:

Plan Type: Pre 65: Statewide funded plan which includes:
Medical (PPO) and Vision - Anthem Blue Cross Blue Shield
Prescription Drugs - Anthem Blue Cross Blue Shield
Behavioral Health and EAP - Anthem Blue Cross Blue Shield
Dental - Delta Dental Plan of Virginia
Details of the above can be found in the "Key Advantage with Expanded Benefits" plan booklet.
Post 65: Advantage 65, administered by Anthem Blue Cross.
Benefits cease 5 years after date of retirement and is capped at a maximum of $500 per month.

(Continued)

NOTE H. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

Eligibility	Employees are eligible for benefits at a minimum of age 50 with 20 years of service.
Benefit Cost Sharing	Employer's contribution varies according to service at retirement and is outlined as follows: i) 20 years of service - 60% benefit. ii) 25 years of service - 80% benefit. iii) 30 years of service - 100% benefit.
Spouse and Surviving Spouse Benefits:	There are no spousal or surviving spouse benefits.
Annual Medical Premiums:	As of July 1, 2014 Pre-65 $6,000 Post-65 $2,280

The following ASC 715-60 disclosures provide a reconciliation of changes in the plan benefit obligations and fair value of assets and a statement of funded status as of June 30, 2015:

			7/1/2014 to 06/30/2015
A.	**Change in accumulated postretirement benefit obligation**		
	1.	Postretirement benefit obligation at beginning of year	
		a. Actives not fully eligible to retire	$ 183,722
		b. Actives fully eligible to retire	143,663
		c. Retirees	-
		d. Total	$ 327,385

			7/1/2014 to 06/30/2015
	2.	Service cost	$ 19,228
	3.	Interest cost	$ 12,256
	4.	Amendments	-
	5.	Actuarial (gain) loss	$ (2,257)
	6.	Benefits paid	$ (8,283)
	7.	Postretirement benefit obligation at end of year	
		a. Actives not fully eligible to retire	$ 212,529
		b. Actives fully eligible to retire	126,005
		c. Retirees	9,795
		d. Total	$ 348,329
B.	**Change in plan assets**		
	1.	Fair value of plan assets at beginning of year	$ -
	2.	Actual return on plan assets	-
	3.	Employer contribution	8,283
	4.	Benefits paid	(8,283)
	5.	Fair value of plan assets at end of year	$ -

(Continued)

NOTE H. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

C.	**Funded status**	6/30/2015
1.	Postretirement benefit obligation at end of year	$ 348,329
2.	Fair value of plan assets at end of year	-
3.	Funded status end of year	$ 348,329
4.	Current liability	$ 8,726
5.	Non-current liability	339,603
6.	Total	$ 348,329

D.	**Components of the net periodic postretirement benefit cost**	7/1/2014 to 06/30/15
1.	Service cost	$ 19,228
2.	Interest cost	12,256
3.	Return on plan assets	-
4.	Amortization of transition obligation	-
5.	Amortization of prior service cost	-
6.	Amortization of actuarial (gain) loss	-
7.	Total	$ 31,484

E.	**OPEB changes other than net periodic postretirement benefit cost**	7/1/2014 to 06/30/15
1.	New prior service cost	$ -
2.	New actuarial (gain) loss	(2,257)
3.	Amortization of unrecognized amounts	-
4.	Total	$ (2,257)

F. **Unrecognized amounts and amortization amounts in the following year**

		6/30/2015
1.	Unrecognized amounts	
a.	Transition obligation	$ -
b.	Prior service cost	-
c.	Net actuarial (gain) / loss	22,385
d.	Total	$ 22,385
2.	Amortization amounts in the following year (estimate)	
a.	Transition obligation	$ -
b.	Prior service cost	-
c.	Net actuarial (gain) / loss	-
d.	Total	$ -

(Continued)

NOTE H. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

G. **Assumptions and effects**

			6/30/2015
1.	Actuarial assumptions		
	a.	Medical / drug trend rate next year	6.50%
	b.	Ultimate trend rate	4.50%
	c.	Year ultimate trend rate is achieved	2019
	d.	Discount rate used to value end of year accumulated postretirement benefit obligations	3.87%
	e.	Discount rate used to value net periodic postretirement benefit cost	3.76%
2.	Effect of a 1% increase in health care cost trend rate on:		
	a.	Interest cost plus service cost	$ 2,976
	b.	Accumulated postretirement benefit obligation	$ 23,905
3.	Effect of a 1% decrease in health care cost trend rate on:		
	a.	Interest cost plus service cost	$ (2,604)
	b.	Accumulated postretirement benefit obligation	$ (21,485)
4.	Measurement date		6/30/2015

H. **Estimated future benefit payments**

Benefit payments are shown net of employee contribution.

Year Beginning July 1st:	Estimated Employer Payment
2015	$ 8,726
2016	$ 18,029
2017	$ 22,361
2018	$ 21,476
2019	$ 20,771
2020 - 2024	$ 143,236

I. **Expected employer contribution for next fiscal year**

For non-funded plans, employer contributions equal benefit payments (above) for net of retiree contributions for the next fiscal year.

2015	$ 8,726

The total postemployment benefit obligation is reflected on the Statement of Financial Position as follows:

Postemployment benefit obligation - current	$ 8,726
Postemployment benefit obligation - long term	339,603
	$ 348,329

NOTE I. HEALTH INSURANCE CREDIT

Summary of Main Benefit Provisions as Interpreted for Valuation Purposes:

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former state employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be $1.50 per year of creditable service, which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees automatically receive a maximum monthly credit of $45. If an eligible employee has worked for more that one employer in VRS, for the purpose of this valuation, the most current (or last) employer assumes full liability for that employee.

Summary of Actuarial Assumptions and Methods as Interpreted for Valuation Purposes:

Valuation date	6/30/2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Asset valuation method	Market Value of Assets
Actuarial Assumptions:	
Investment rate of return	7.0% per annum, compounded annually (net of administrative expenses) Inflation Assumption 2.5 % per year.
Payroll growth rate	3.00%
Funding period	30 years from valuation date decreasing by one year each year in subsequent valuations until reaching 0 years (closed amortization, computed as level percent of payroll.
Annual required contribution rate	.18 of compensation for fiscal year 2015 and .00% for fiscal year 2016.

NOTE I. HEALTH INSURANCE CREDIT (Continued)

Participation Assumption	85.0% of eligible future service retirees will utilize the benefit program. 45.0% of eligible future disability retirees will utilize the benefit. 55.0% of eligible future retirees from vested terminated status will utilize the benefit in the first year after retirement, increasing 5.0% per year until 95.0% participation in the eighth year and beyond.
Percent not using the maximum benefit	5.00%
Percentage of maximum benefit received	70.00%
Annual increase in benefit for non-maximum benefit participants	6.5% in the first year, 4.25% in years 2 and 3, and 3.0% for years 4 and later
Percentage of eligible deferred vested members electing to withdraw from VRS	45.00%
Deferred vested deferral period	Employees are assumed to receive benefits as follows: Plan 1 Member: Age 60 Plan 2 Member: Born prior to 1938: Age 60 Born after 1937 and before 1960: Age 61 Born after 1959: Age 62
Hybrid Retirement Plan	The valuation assumes no eligible members will elect to opt into the Hybrid Retirement Plan during the election window to be held January 1 through April 30, 2014.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Valuation as of	Actuarial Value of Assets	Actuarial Accr. Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as of % of Covered Payroll
6/30/2014	$ -	$ -	$ -	0.00%	$ -	0.00%
6/30/2013	$ 19,610	$ 106,000	$ 86,390	18.50%	$ 1,774,328	4.87%
6/30/2012	$ 18,114	$ 104,483	$ 86,369	17.34%	$ 1,655,568	5.22%
6/30/2011	$ 20,308	$ 103,581	$ 83,273	19.61%	$ 1,829,736	4.55%
6/30/2010	$ 18,663	$ 88,970	$ 70,307	20.98%	$ 1,827,936	3.85%
6/30/2009	$ 14,993	$ 72,247	$ 57,254	20.75%	$ 1,932,605	2.96%
6/30/2008	$ 15,235	$ 90,367	$ 75,132	16.86%	$ 1,838,268	4.09%

NOTE J. PENSION PLANS

Defined Contribution Plans:

The Commission has a 457 defined contribution plan which is 100% funded by employee contributions.

Defined Benefit Plan:

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision'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 employees contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is administered by 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 services, 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 services, 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set our in the table below:

NOTE J. PENSION PLANS

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	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.	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") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE J. PENSION PLANS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. **Hybrid Opt-In Election** VRS non-hazardous date covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1, through April 30, 2014. The Hybrid Retirement effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members return to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**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. **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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members return to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • 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 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under 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.

NOTE J. PENSION PLANS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit 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.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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.
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.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service in 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. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE J. PENSION PLANS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. 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. **Define Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement of leaving covered employment, a member is eligible to withdraw a percentage of employer contribution to the defined contribution component of the plan, base on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.

NOTE J. PENSION PLANS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The Basis Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basis Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
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 the 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** **Defined Benefit Component:** **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. **Defined Contribution Component:** Not applicable.

NOTE J. PENSION PLANS

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

NOTE J. PENSION PLANS

<table>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Cost-of-Living Adjustment (COLA) in Retirement
The Cost-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%.
Eligibility:
For members who retire with a 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 calendar year following the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</td><td>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%.
Eligibility:
Same as Plan 1.</td><td>Cost-of-Living Adjustment (COLA) in Retirement
<u>Defined Benefit Component</u>:
Same as Plan 2.
<u>Defined Contribution Component</u>:
Not applicable.
Eligibility:
Same as Plan 1 and Plan 2</td></tr>
<tr><td><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:
• 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).</td><td><u>Exceptions to COLA Effective Dates</u>:
Same as Plan 1.</td><td><u>Exceptions to COLA Effective Dates</u>:
Same as Plan 1 and Plan 2.</td></tr>
</table>

NOTE J. PENSION PLANS

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Exceptions to COLA Effective Date: **(Continued)** • 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.		
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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before become eligible for non-work-related disability benefits.

NOTE J. PENSION PLANS

Purchase of Prior Service	**Purchase of Prior Service**	**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.	Same as Plan 1.	**Defined Benefit Component:** Same as Plan 1, with the following exceptions: • 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. **Defined Contribution Component:** Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	27
Inactive members:	
Vested inactive members	9
Non-vested inactive members	12
Inactive members active elsewhere in VRS	9
Total inactive members	57
Active members	49
Total covered employees	106

NOTE J PENSION PLANS

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 political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 10.03 % 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 cost of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the political subdivision were $219,612 and $237,769 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

NOTE J. PENSION PLANS

Actuarial Assumptions - General Employees (Continued)

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 5.35%
Investment rate of return	7.0 percent, 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 were 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 were 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.

NOTE J. PENSION PLANS

The actuarial assumptions used in the June 30, 2013 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 rate
- 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 rate
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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 Avg 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%

NOTE J. PENSION PLANS

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at on 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

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 Political Subdivision 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)	Total Pension Liability (a) - (b)
Balance at June 30, 2013	$ 5,252,698	$ 3,521,682	$ 1,731,016
Change for the year:			
Service Cost	174,312	-	174,312
Interest	358,756	-	358,756
Differences between expected			-
and actual experience	-	-	-
Contributions - employer	-	207,912	(207,912)
Contributions - employee	-	94,051	(94,051)
Net investment income	-	560,454	(560,454)
Benefit payments, including			
refunds of employee contributions	(255,226)	(255,226)	-
Administrative expenses		(2,952)	2,952
Other changes	-	30	(30)
Net changes	277,842	604,269	(326,427)
Balance at June 30, 2014	$ 5,530,540	$ 4,125,951	$ 1,404,589

NOTE J. PENSION PLANS

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

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

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Political subdivision's Net Pension Liability	$ 2,183,484	$ 1,404,589	$ 768,090

For the year ended June 30, 2015, the political subdivision recognized pension expense of $161,838. At June 30, 2015, the political subdivision 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	$ -	$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	$ -	$ 249,922
Employer contributions subsequent to the measurement date	219,612	-
Total	$ 219,612	$ 249,922

$219,612 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2016	$	(62,480)
2017	$	(62,480)
2018	$	(62,480)
2019	$	(62,482)
Thereafter	$	-

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

APPALACHIAN JUVENILE COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

		June 30, 2014
Total pension liability		
Service	$	174,312
Interest		358,756
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		-
Benefit Payments, including refunds of employee contributions		(255,226)
Net change in total pension liability		277,842
Total pension liability - beginning		5,252,698
Total pension liability - Ending (a)	$	5,530,540
Plan fiduciary net position		
Contributions - employer	$	207,912
Contributions -employee		94,051
Net investment income		560,454
Benefit Payments, including refunds of employee contributions		(255,226)
Administrative expense		(2,952)
Other		30
Net change in plan fiduciary net position		604,269
Plan fiduciary net position - beginning		3,521,682
Plan fiduciary net position - ending (b)	$	4,125,951
Political subdivision's net pension liability - ending (a) - (b)	$	1,404,589
Plan fiduciary net position as a percentage of the total Pension liability		25.40%
Covered-employee payroll	$	1,894,219
Political subdivision's net pension liability as a percentage of covered-employer payroll		74.15%

APPALACHIAN JUVENILE COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	$ 219,612	$ 219,612	$ -	$ 2,037,533	10.78%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Change of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do no reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of there measurement date of June 30, 2014 are minimal.

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 rate
- 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 rate
- Decrease in rates of service retirement

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality rate
- 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 rate
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

ACCOMPANYING INFORMATION

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF SUPPORT AND REVENUE
Year Ended June 30, 2015

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Local revenue					
Juvenile detention	$ 2,580,560	$ 1,900,956	$ 614,616	$ 75,000	$ 2,590,572
State support and revenue					
Secure detention	825,000	833,662	-	-	833,662
Alternative detention	350,000	-	353,389	-	353,389
	1,175,000	833,662	353,389	-	1,187,051
Federal support					
E-Rate funds	26,000	24,621	11,180	-	35,801
USDA funds	40,000	35,476	-	-	35,476
Other grants and funding	-	-	-	-	-
	66,000	60,097	11,180	-	71,277
Fund Balance Transfer from localities	75,000	75,000	-	-	75,000
Interest income	12,000	12,585	-	-	12,585
Miscellaneous	29,240	14,941	320	25,000	40,261
	116,240	102,526	320	25,000	127,846
Total support and revenue	$ 3,937,800	$ 2,897,241	$ 979,505	$ 100,000	$ 3,976,746

The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF REVENUE FROM JUVENILE DETENTION
Year Ended June 30, 2015

	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
City of Bristol	$ 216,680	$ 70,424	$ -	$ 287,104
Buchanan County	61,280	19,920	-	81,200
Dickenson County	61,124	19,864	-	80,988
Lee County	108,488	35,260	25,000	168,748
City of Norton	78,676	25,572	-	104,248
Russell County	208,812	67,872	-	276,684
Scott County	204,728	66,544	25,000	296,272
Smyth County	187,476	60,936	-	248,412
Tazewell County	273,424	88,876	-	362,300
Washington County	160,996	52,328	-	213,324
Wise County	329,260	107,020	25,000	461,280
Bristol VA Schools	1,187	-	-	1,187
Carroll County	6,725	-	-	6,725
Wythe County	2,100	-	-	2,100
Total localities	1,900,956	614,616	75,000	2,590,572
Commonwealth of Virginia	1,400	353,389	-	354,789
Total localities and state	$ 1,902,356	$ 968,005	$ 75,000	$ 2,945,361

The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2015

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Salaries and wages	$ 2,100,500	$ 1,485,673	$ 511,427	$ 40,433	$ 2,037,533
Payroll tax expense	181,350	125,264	40,153	3,386	168,803
Employee health and dental insurance	605,900	353,033	137,016	7,140	497,189
Employee disability and life	13,550	7,866	2,757	225	10,848
Postemployment / retirement benefits (gain)	248,200	121,882	56,271	4,630	182,783
Workman's compensation insurance	28,200	20,988	6,546	526	28,060
Food	122,000	98,309	-	-	98,309
Medical services	22,000	14,730	-	-	14,730
Medical supplies	5,000	4,324	-	-	4,324
Medication	10,000	8,374	-	-	8,374
Ward expenses	5,000	4,897	-	-	4,897
Recreational supplies	500	112	-	-	112
Utilities	71,005	60,823	1,002	-	61,825
Communications	54,200	35,151	16,199	1,139	52,489
Educational supplies	3,000	1,461	-	-	1,461
Office supplies	23,000	7,770	1,222	2,742	11,734
Household and cleaning supplies	5,310	5,302	-	-	5,302
Kitchen supplies	15,000	14,886	-	-	14,886
Travel	150,155	5,529	121,757	7,611	134,897
Training	7,100	1,867	588	413	2,868
Commission expense	15,000	3,645	-	-	3,645
Repairs and maintenance - equipment	22,900	19,339	5,988	-	25,327
Non-capitalized equipment	12,000	4,733	1,680	-	6,413
Detention payments-Secure	200	185			185
Professional fees	22,000	21,220	7	-	21,227
Drug/alcohol screening	1,280	1,060	126	42	1,228

(Continued)

The accompanying notes are an integral part of these financial statements.

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2015

	BUDGET	SECURE	ALTERNATIVES	DRUG COURT	TOTAL
Program services	11,650	-	-	5,974	5,974
Mental health	-	-	-	-	-
Dues and professional membership	1,000	575	-	-	575
Security Supplies	1,000	-	-	-	-
Insurance expense	12,050	9,518	2,147	135	11,800
Repairs and maintenance-building	30,000	27,610	-	-	27,610
Office space rental	13,000	-	12,960	-	12,960
Electronic monitoring	11,000	-	10,857	-	10,857
Substance abuse testing	-	-	-	-	-
Depreciation	113,750	97,175	2,759	-	99,934
Total expenses	$ 3,937,800	$ 2,563,301	$ 931,462	$ 74,396	$ 3,569,159

The accompanying notes are an integral part of these financial statements.

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 of Directors
Appalachian Juvenile Commission
Bristol, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Appalachian Juvenile Commission, which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Appalachian Juvenile Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Appalachian Juvenile Commission's internal control. Accordingly we do not express an opinion on the effectiveness of the Commission'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 Appalachian Juvenile Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

This 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
November 18, 2015