APPALACHIAN JUVENILE COMMISSION

FINANCIAL REPORT

June 30, 2011

APPALACHIAN JUVENILE COMMISSION

CONTENTS

B&O
Blackley, Olinger & Associates, PLLC
Certified Public Accountants

S. Douglas Blackley, CPA
Charles P. Olinger, CPA
Judy S. Olinger, CPA

601 Volunteer Parkway, Suite C
Bristol, TN 37620
Telephone: (423) 989-3387
Fax: (423) 989-3830

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Appalachian Juvenile Commission as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of support, revenue and expenses presented on pages 19 – 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blackley, Olinger & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

October 18, 2011

Members American Institute of Certified Public Accountants
Members Tennessee Society of Certified Public Accountants

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,555,268
Accounts receivable	9,632
Total Current Assets	1,564,900
Property and equipment, net	2,258,236
Total Assets	$ 3,823,136
LIABILITIES	
Current Liabilities	
Accounts payable	$ 26,434
Payroll liabilities	6,498
Accrued compensated absences and salaries	78,876
Current portion - postemployment benefit obligation	39,975
Total Current Liabilities	151,783
Long-term Liabilities	
Postemployment benefit obligation	254,520
Total Long-term Liabilities	254,520
Total Liabilities	406,303
NET ASSETS	
Unrestricted	3,416,833
Total Liabilities and Net Assets	$ 3,823,136

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Local revenue - juvenile detention	$ 2,703,436
State revenue - juvenile detention	349,878
State - Commonwealth of Virginia grants	848,852
Federal funds	150,891
Interest income	11,564
Miscellaneous	34,181
Total Unrestricted Support and Revenue	4,098,802
EXPENSES	3,640,570
Increase (Decrease) in Net Assets	458,232
NET ASSETS AT BEGINNING OF YEAR (Restated)	2,958,601
NET ASSETS AT END OF YEAR	$ 3,416,833

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

APPALACHIAN JUVENILE COMMISSION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	$ 458,232
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	131,386
(Increase) decrease in operating assets	
Receivables	(3,868)
Increase (decrease) in operating liabilities	
Accounts payable	(9,064)
Accrued salaries and compensated absences	(80,957)
Postemployment benefit obligation	(46,129)
Payroll liabilities	4,708
Deferred revenue	(500)
Net cash provided by operating activities	453,808
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(17,651)
Net cash used by investing activities	(17,651)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions - June 30, 2010 fiscal year surplus appropriations	(100,000)
Net cash provided by financing activities	(100,000)
Net increase (decrease) in cash and cash equivalents	336,157
CASH AND CASH EQUIVALENTS, Beginning	1,219,111
CASH AND CASH EQUIVALENTS, Ending	$ 1,555,268
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 will no longer operate the group home. See Note E.

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 (3-10 years) on the straight-line method.

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. All 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 A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 18, 2011, which is the date the financial statements were available to be issued.

NOTE B. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011, consisted of the following:

Land	$ 111,714
Building and improvements	3,047,489
Equipment & vehicles	476,716
	3,635,919
Less accumulated depreciation	(1,377,683)
Total Property and Equipment	$ 2,258,236

Depreciation expense for the current period is $131,386.

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 $848,852 in Virginia block grant funds and $359,033 in Juvenile Community Crime Control Act grant funds for the year ended June 30, 2011. 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. SUBSEQUENT EVENT

As of July 1, 2011, the Commission will no longer operate the Susan Bundy Group Home. The AMI Kids (a national organization) will continue to use the facility and operate a girl's group home program.

NOTE F. 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.

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 - MEDCO Health Solutions Inc. Behavioral Health and EAP - Value Option Inc. 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.
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, 2011:

Pre-65	$6,000
Post-65	$2,280

The following 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, 2011:

	7/1/2010 to 06/30/11
A. Change in accumulated postretirement benefit obligation	
1. Postretirement benefit obligation at beginning of year	
a. Activities not fully eligible to retire	$ 205,329
b. Activities fully eligible to retire	33,096
c. Retirees	102,199
d. Total	$ 340,624

(Continued)

NOTE F. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

2.	Service cost		$ 14,323
3.	Interest cost		$ 14,553
3	Amendments		-
4	Actuarial (gain) loss		$ (39,444)
5	Benefits paid		$ (35,561)
6	Postretirement benefit obligation at end of year		
	a.	Activities not fully eligible to retire	$ 169,112
	b.	Activities fully eligible to retire	57,228
	c.	Retirees	68,155
	d.	Total	$ 294,495

B. Change in plan assets

1.	Fair value of plan assets at beginning of year	$ -
2.	Actual return on plan assets	-
3.	Employer contribution	35,561
4	Benefits paid	(35,561)
5	Fair value of plan assets at end of year	$ -

C. Funded status		6/30/2011
1.	Postretirement benefit obligation at end of year	$ 294,495
2.	Fair value of plan assets at end of year	-
3.	Funded status end of year	$ 294,495
4.	Current liability	$ 39,975
5.	Non-current liability	254,520
6.	Total	$ 294,495

D. Components of the net periodic postretirement benefit cost		7/1/2010 to 06/30/11
1.	Service cost	$ 14,323
2.	Interest cost	14,553
3.	Return on plan assets	-
4.	Amortization of transition obligation	-
5.	Amortization of prior service cost	-
6.	Amortization of actuarial (gain) loss	-
	Total	$ 28,876

(Continued)

NOTE F. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

			7/1/2010 to 06/30/11
E.	OPEB changes other than net periodic postretirement benefit cost		
	1.	New prior service cost	$ -
	2.	New actuarial (gain) loss	(39,444)
	3.	Amortization of unrecognized amounts	-
	4.	Total	$ (39,444)

F.	Unrecognized amounts and amortization amounts in the following year		
	1. Unrecognized amounts		6/30/2011
		a. Transition obligation	$ -
		b. Prior service cost	-
		c. Net actuarial (gain) / loss	13,132
		d. Total	$ 13,132
	2. Amortization amounts in following year (estimate)		
		a. Transition obligation	$ -
		b. Prior service cost	-
		c. Net actuarial (gain) / loss	-
		d. Total	$ -

G.	Assumptions and effects		
	1. Actuarial assumptions		6/30/2011
		a. Medical / drug trend rate next year	9.00%
		b. Ultimate trend rate	4.50%
		c. Year ultimate trend rate is achieved	2016
		d. Discount rate used to value end of year accumulated postretirement benefit obligations	5.00%
		e. Discount rate used to value net periodic postretirement benefit cost	5.25%
	2. Effect of a 1% increase in health care cost trend rate on:		
		a. Interest cost plus service cost	$ 2,212
		b. Accumulated postretirement benefit obligation	$ 16,552
	3. Effect of a 1% decrease in health care cost trend rate on:		
		a. Interest cost plus service cost	$ (1,942)
		b. Accumulated postretirement benefit obligation	$ (14,867)
	4. Measurement date		6/30/2011

(Continued)

NOTE F. ESTIMATED POSTEMPLOYMENT AND POSTRETIREMENT BENEFITS

H. Estimated future benefit payments
Benefit payments are shown net of employee contribution.

Year Beginning January 1st:	Estimated Employer Payment
2011	$ 39,975
2012	$ 29,544
2013	$ 30,337
2014	$ 14,252
2015	$ 11,831
2016 - 2020	$ 102,930

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.

2011	$ 39,975

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

Postemployment benefit obligation - current	$ 39,975
Postemployment benefit obligation - long term	254,520
	$ 294,495

NOTE G. PENSION PLANS

Defined Contribution Plans:

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

Defined Benefit Plan:

Plan Description

The Commission contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. Benefits vest after five years of service. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

(Continued)

NOTE G. PENSION PLANS (Continued)

Plan Description

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

(Continued)

NOTE G. PENSION PLANS (continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

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 report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual reported compensation to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the Appalachian Juvenile Commission is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Appalachian Juvenile Commission's contribution rate for the fiscal year ended June 30, 2011 was 13.80% of the annual covered payroll.

Annual Pension Cost

For the year ended June 30, 2011, the Commission's annual pension cost of $257,607 for VRS was equal to the Commission's required and actual contributions.

Three-Year Trend Information for Appalachian Juvenile Detention:

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Pension Obligation
6/30/2011	$ 257,607	100.00%	0.00%
6/30/2010	$ 254,500	100.00%	0.00%
6/30/2009	$ 272,412	100.00%	0.00%

(Continued)

NOTE G. PENSION PLANS (continued)

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Appalachian Juvenile Commission's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. Appalachian Juvenile Commission's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued liability (UAAL) was 20 years.

Funding Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 63.04% funded. The actuarial accrued liability for benefits was $4,795,120, and the actuarial value of assets was $3,022,906, resulting in an unfunded actuarial accrued liability (UAAL) of $1,772,214. The covered payroll (annual payroll of active employees covered by the plan) was $1,827,936, and the ratio of the UAAL to the covered payroll was 96.95%.

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 Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as of % of Covered Payroll
6/30/2010	$ 3,022,906	$ 4,795,120	$1,772,214	63.04%	$1,827,936	96.95%
6/30/2009	$ 3,193,646	$ 4,252,025	$1,058,379	75.11%	$1,932,605	54.76%
6/30/2008	$ 2,966,017	$ 3,940,781	$ 974,764	75.26%	$1,838,268	53.03%
6/30/2007	$ 2,560,473	$ 3,260,457	$ 699,984	78.53%	$1,822,416	38.41%
6/30/2006	$ 2,027,342	$ 2,800,255	$ 772,913	72.40%	$1,715,316	45.06%

(Continued)

NOTE G. PENSION PLANS (continued)

Notes to Required Supplementary Information:

1.	Valuation date	6/30/2010
2.	Actuarial cost method	Entry age normal
3.	Amortization method	Level percent of pay, open
4.	Payroll growth rate	3.00%
5.	Remaining amortization period	20 years
6.	Asset valuation method	Five-year smoothed market value
7.	Actuarial assumptions	
	a. Investment rate of return (includes inflation of 2.50%)	7.00%
	b. Projected salary increases (includes inflation of 2.50%)	
	Non-LEO	3.75% to 5.60%
	LEO employees	3.50% to 4.75%
	c. Cost-of-living adjustment	2.50%

Actuarial Present Value of Future Benefits:		Valuation of 6/30/2010
1.	Active Members	
	a. Retirement benefits	$ 2,889,024
	b. Termination benefits	258,547
	c. Disability benefits	457,019
	d. Death benefits	139,272
	e. Total	$ 3,743,862
2.	Retired members	
	a. Service retirements	$ 2,000,815
	b. Disability retirements	404,106
	c. Beneficiaries	-
	d. Total	$ 2,404,921
3.	Terminated members with future benefits	
	a. Vested terminations	$ 35,696
	b. Nonvested terminations	24,563
	c. Total	$ 60,259
4.	Total present value of future benefits	$ 6,209,042

(Continued)

NOTE G. PENSION PLANS (continued)

Development of Annual Required Contribution Rate:	Valuation of 6/30/2010
1. Covered payroll	$ 1,827,936
2. Present value of future pay	$ 15,277,368
3. Total normal cost	$ 194,760
4. Normal cost rate	
a. Total normal cost rate	10.65%
b. Less: member contribution rate	5.00%
c. Employer normal cost rate	5.65%
5. Actuarial accrued liability	
a. Actives	$ 2,329,940
b. Inactives	2,465,180
c. Total	$ 4,795,120
6. Actuarial value of assets	$ 3,022,906
7. Unfunded actuarial accrued liability (UAAL)	$ 1,772,214
8. UAAL as a percentage of covered payroll	96.95%
9. UAAL amortization rate	6.79%
10. Funding period in years	20 Years
11. Recommended employer contribution rate	12.44%

Annual Required Contribution Rate:

1. Annual required contribution rate	
a. Contribution rate	12.44%
b. Funding period in years	20 Years
c. Amortization factor based on funding period	14.2649

The amortization factor is based on an interest rate of 7.0% and a payroll growth rate of 3.0%

NOTE H. 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 credited monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

(Continued)

NOTE H. HEALTH INSURANCE CREDIT (Continued)

Disabled retirees automatically receive a maximum monthly credit, which is the greater of (i) $45, or (ii) 1.50 per year for each year of creditable service at the time of disability retirement. 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	6/30/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Remaining amortization period	26 years
Asset valuation method	Market Value of Assets
Participation Assumption:	85% of current employees will utilize the benefit program.
Deferred termination benefit period	Terminating members are assumed to receive benefits at age 65.
Actuarial assumptions:	
Investment Rate of Return*	7.00%
Payroll Growth Rate	3.00%
*Includes inflation at	2.50%
Mortality Rates:	
Pre-Retirement & Post-Retirement	1994 Group Annuity Mortality Tables
Post-Disablement	40% Male;90% Female of Disab. Mortality Table

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
9/30/2010	$ 18,663	$ 88,970	$ 70,307	20.98%	$1,827,936	3.85%
9/30/2009	$ 14,993	$ 72,247	$ 57,254	20.75%	$1,932,605	2.96%
9/30/2008	$ 15,235	$ 90,367	$ 75,132	16.86%	$1,838,268	4.09%
9/30/2007	$ 10,335	$ 79,617	$ 69,282	12.98%	$1,822,416	3.80%

NOTE I. RESTATED BEGINNING BALANCE NET ASSETS

The Commission restated the beginning net assets to reflect an appropriation to return $100,000 in revenue to each locality for fiscal year June 30, 2010.

ACCOMPANYING INFORMATION

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF SUPPORT AND REVENUE
Year Ended June 30, 2011

	BUDGET	SECURE	ALTERNATIVES	SPECIAL PROJECTS	GROUP HOME	DRUG COURT	TOTAL
Local revenue							
Juvenile detention	$ 2,740,220	$ 1,618,695	$ 503,800	$ 66,210	$ 439,731	$ 75,000	$ 2,703,436
State support and revenue							
Secure detention	765,000	854,221	-	-	-	-	854,221
Nonsecure detention	395,000	-	299,368	-	57,188	-	356,556
Less: locality reductions	-	-	(12,047)	-	-	-	(12,047)
	1,160,000	854,221	287,321	-	57,188	-	1,198,730
Federal support							
E-Rate funds	25,000	20,694	11,584	-	-	-	32,278
USDA funds	44,000	29,983	-	-	7,362	-	37,345
Other grants and funding	15,000	590	80,678	-	-	-	81,268
	84,000	51,267	92,262	-	7,362	-	150,891
Interest income	6,000	11,564	-	-	-	-	11,564
Miscellaneous	50,000	8,481	620	-	80	25,000	34,181
	56,000	20,045	620	-	80	25,000	45,745
Total support and revenue	$ 4,040,220	$ 2,544,228	$ 884,003	$ 66,210	$ 504,361	$ 100,000	$ 4,098,802

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF REVENUE FROM JUVENILE DETENTION
Year Ended June 30, 2011

	SECURE	ALTERNATIVES	SPECIAL PROJECTS	GROUP HOME	DRUG COURT	TOTAL
City of Bristol	$ 155,601	$ 50,680	$ 6,019	$ 43,200	$ -	$ 255,500
Smyth County	153,701	50,580	6,019	43,200	-	253,500
Washington County	167,101	50,380	6,019	43,200	-	266,700
Wise County	327,540	101,560	6,020	43,200	25,000	503,320
Scott County	145,601	50,280	6,019	43,200	25,000	270,100
Dickenson County	35,146	17,160	6,019	18,275	-	76,600
Lee County	171,301	49,680	6,019	43,200	25,000	295,200
Russell County	111,541	23,940	6,019	43,200	-	184,700
Buchanan County	30,421	16,660	6,019	43,200	-	96,300
City of Norton	34,446	17,160	6,019	18,275	-	75,900
Tazewell County	272,461	75,720	6,019	43,200	-	397,400
Wythe County	12,220	-	-	-	-	12,220
Other Support - DSS & CSA	1,615	-	-	14,381	-	15,996
Total localities	1,618,695	503,800	66,210	439,731	75,000	2,703,436
Commonwealth of Virginia	5,369	287,321	-	57,188	-	349,878
Total localities and state	$ 1,624,064	$ 791,121	$ 66,210	$ 496,919	$ 75,000	$ 3,053,314

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2011

	BUDGET	SECURE	ALTERNATIVES	SPECIAL PROJECTS	GROUP HOME	DRUG COURT	TOTAL
Salaries and wages	$ 2,125,500	$ 1,178,898	$ 480,845	$ 43,064	$ 284,207	$ 37,299	$ 2,024,313
Payroll tax expense	177,170	96,480	38,222	3,438	24,134	2,751	165,025
Employee health and dental insurance	540,000	283,766	108,060	8,556	61,845	11,112	473,339
Employee disability, life and retirement	322,450	155,015	65,564	6,320	34,452	5,424	266,775
Postemployment/retirement benefits (gain)	-	(46,129)	-	-	-	-	(46,129)
Workman's compensation insurance	29,000	17,088	5,672	62	3,652	438	26,912
Food	141,110	78,823	-	-	14,323	-	93,146
Medical services	17,000	21,361	-	-	103	-	21,464
Medical supplies	3,750	2,112	-	-	63	-	2,175
Medication	24,000	4,865	-	-	151	-	5,016
Ward expenses	17,000	4,363	-	-	6,658	-	11,021
Recreational supplies	2,500	62	-	-	1,109	-	1,171
Utilities	74,000	54,797	-	-	9,743	-	64,540
Communications	55,260	25,811	13,041	934	5,248	1,964	46,998
Educational supplies	4,250	1,089	-	-	323	-	1,412
Office supplies	18,380	7,357	3,290	45	862	1,918	13,472
Household and cleaning supplies	12,000	4,284	-	-	1,955	-	6,239
Kitchen supplies	16,500	13,274	-	-	825	-	14,099
Travel	145,000	14,259	119,792	1,218	2,298	8,160	145,727
Training	9,100	2,415	-	-	401	-	2,816
Commission expense	12,000	7,795	-	-	-	-	7,795
Repairs and maintenance - equipment	20,500	8,197	273	-	4,308	-	12,778
Non-capitalized equipment	16,000	7,549	760	-	1,196	-	9,505
Professional fees	16,500	17,797	-	-	285	-	18,082
Drug/alcohol screening	750	243	-	-	81	-	324

(Continued)

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

APPALACHIAN JUVENILE COMMISSION
SCHEDULE OF EXPENSES
Year Ended June 30, 2011

	BUDGET	SECURE	ALTERNATIVES	SPECIAL PROJECTS	GROUP HOME	DRUG COURT	TOTAL
Program services	10,600	25,000	-	-	142	3,604	28,746
Mental health	500	-	-	-	-	-	-
Dues and professional membership	2,000	555	-	-	-	-	555
Insurance expense	18,900	8,123	1,750	125	2,075	125	12,198
Repairs and maintenance-building	33,000	57,600	-	-	1,892	-	59,492
Office space rental	8,000	-	7,567	-	-	-	7,567
Electronic monitoring	26,000	-	12,301	-	-	-	12,301
Substance abuse testing	8,500	-	250	-	-	60	310
Community service	500	-	-	-	-	-	-
Depreciation	132,500	117,119	6,859	-	6,709	699	131,386
Total expenses	$ 4,040,220	$ 2,169,968	$ 864,246	$ 63,762	$ 469,040	$ 73,554	$ 3,640,570

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

B&O

Blackley, Olinger & Associates, PLLC

Certified Public Accountants

601 Volunteer Parkway, Suite C
Bristol, TN 37620
Telephone: (423) 989-3387
Fax: (423) 989-3830

S. Douglas Blackley, CPA
Charles P. Olinger, CPA
Judy S. Olinger, CPA

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 the financial statements of Appalachian Juvenile Commission as of and for the year ended June 30, 2011 and have issued our report thereon dated October 18, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Appalachian Juvenile Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Appalachian Juvenile Commission's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANTS

October 18, 2011