

**NEW RIVER CRIMINAL JUSTICE
TRAINING ACADEMY**

FINANCIAL STATEMENTS

Year Ended June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New River Criminal Justice Training Academy

We have audited the accompanying basic financial statements of New River Criminal Justice Training Academy (The Academy), as of and for the year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and specifications for *Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A firm of CPAs and Financial Consultants

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New River Criminal Justice Training Academy as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The New River Criminal Justice Training Academy has not presented managements's discussion and analysis that U.S. generally accepted accounting principles in the United States of America require to supplement, although not to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Academy's internal controls over financial reporting and our tests of it's 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 the Academy's internal control over financial reporting and compliance.

Foti, Flynn, Lauen & Company, P. C.

Roanoke, Virginia
November 6, 2015

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS:

CURRENT ASSETS:

Cash	\$ 15,775
Prepaid expenses	<u>9,745</u>
Total current assets	<u>25,520</u>

NONCURRENT ASSETS -

Capital assets, net of accumulated depreciation of \$477,644	<u>1,801,023</u>
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Total noncurrent assets	<u>1,801,023</u>
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Total assets	<u><u>\$ 1,826,543</u></u>
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LIABILITIES:

CURRENT LIABILITIES:

Compensated absences	\$ 6,223
Note payable	<u>23,332</u>

Total current liabilities	<u>29,555</u>
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NONCURRENT LIABILITIES:

Compensated absences	27,376
Note payable	<u>1,815,690</u>

Total noncurrent liabilities	<u>1,843,066</u>
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DEFERRED INFLOW OF RESOURCES -

Unearned revenue	<u>47,600</u>
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Total deferred inflows	<u>47,600</u>
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Total liabilities and deferred inflows	<u>1,920,221</u>
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NET POSITION:

Net investment in capital assets	(37,999)
Unrestricted	<u>(55,679)</u>

Total net position	<u>(93,678)</u>
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Total liabilities and net position	<u><u>\$ 1,826,543</u></u>
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See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES:

Local assessments	\$	300,475
Pre-employment fees		102,282
Miscellaneous income		<u>5,853</u>
Total operating revenues		<u>408,610</u>

OPERATING EXPENSES:

Personnel		220,295
Insurance		12,265
Utilities		25,324
Instructor development		24,017
Student supplies		23,096
Postage		438
Office supplies		11,770
Equipment purchases		643
Equipment leases		8,675
Repairs and maintenance		9,525
Telephone		5,660
Janitorial		6,631
Professional services		6,901
Vehicle expense		13,048
Library		5,613
Pre-employment expenses		4,672
Depreciation		105,424
Miscellaneous expense		<u>13,789</u>
Total operating expenses		<u>497,786</u>

OPERATING LOSS (89,176)

NONOPERATING REVENUE (EXPENSES):

State grant		78,094
Interest expense		<u>(74,542)</u>
Total net nonoperating revenues (expenses)		<u>3,552</u>

Change in net position (85,624)

NET POSITION:

Net position at beginning of year		<u>(8,054)</u>
Net position at end of year	\$	<u><u>(93,678)</u></u>

See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Local assessments	\$	309,825
Pre-employment fees		102,282
Miscellaneous income		5,853
Payments to personnel		(221,246)
Payments for maintenance & supplies		(67,230)
Payments for utilities & telephone		(30,984)
Payments for other administrative expenses		<u>(78,498)</u>

Net cash provided by operating activities 20,002

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES -**

State grant 78,094

Net cash provided by noncapital financing activities 78,094

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Proceeds from capital debt		12,500
Principal paid on capital debt		(21,961)
Interest paid on capital debt		<u>(74,542)</u>

Net cash used by capital and related financing activities (84,003)

NET INCREASE IN CASH 14,093

CASH - BEGINNING OF YEAR 1,682

CASH - END OF YEAR \$ 15,775

See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

STATEMENT OF CASH FLOWS - (Continued)

YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating loss	\$ (89,176)
Depreciation expense	105,424
Change in assets and liabilities:	
Prepaid expenses	(4,644)
Unearned revenue	9,350
Compensated absences	<u>(952)</u>
Net cash provided by operating activities	<u>\$ 20,002</u>

See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND NATURE OF ACTIVITIES:

General: The financial statements have been prepared to incorporate all funds utilized by the New River Criminal Justice Training Academy (NRCJTA). These statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB). The operations of the Academy are proprietary in nature and as a result these financial statements are prepared to conform to proprietary type governmental financial statements.

Reporting Entity: The New River Criminal Justice Training Academy (NRCJTA) was created by legislation passed by the Commonwealth of Virginia as promulgated through the Department of Criminal Justice Services to provide training to law enforcement members of participating jurisdictions.

2. SUMMARY OF SIGNIFICANT POLICIES:

Basis of Accounting: The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents: Cash and cash equivalents are held in accounts in the name of the Academy. For purposes of the statement of cash flows, the Academy considers all highly liquid debt instruments with maturities of three months or less at the time of acquisition to be cash equivalents. The Academy is in the process of revising a depository account agreement at a financial institution to help insure that all deposit balances are insured or collateralized.

Capital Assets: The Academy defines capital assets as assets with an estimated useful life greater than a year. Any additions greater than \$500, including those that significantly prolong a capital asset's economic life or expand usefulness, are capitalized. Normal repairs that merely maintain the capital asset in its present condition are recorded as expenses and are not capitalized. Capital assets are stated at cost less accumulated depreciation computed by the straight-line method over the estimated lives of the respective assets as follows:

<u>Classification</u>	<u>Life</u>
Building and leasehold improvements	39 years
Furnishings and Equipment	5-7 years
Office equipment	5 years
Vehicles	5 years

Revenue Recognition: Revenues are recognized when earned and expenditures are recognized when the service is provided.

Operating Revenues and Expenses: Operating revenues of the Academy consist of assessments, pre-employment fees, and other revenues. Operating expenses consist of departmental overhead expenses, undistributed overhead expenses, fixed charges and depreciation. All other revenues and expenses, including transactions related to capital and financing activities, noncapital financing activities, investing activities and state grants, are classified as non-operating revenues and expenses.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

NOTES TO FINANCIAL STATEMENTS - (Continued)

2. SUMMARY OF SIGNIFICANT POLICIES - (Continued):

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Income Taxes

As a political subdivision of the Commonwealth of Virginia, the Academy is exempt from federal and state income taxes.

Accrued Compensated Absences: The Academy is operated and managed by the Town of Dublin; therefore the Academy itself has no employees. However, the Academy is allocated salary expenses and accordingly has recorded accrued compensated absences when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as a component of personnel expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Net Position: The Academy's net position is classified as follows:

Net Investment in Capital Assets - This represents the Academy's total investment in capital assets, net of accumulated depreciation and related debt.

Unrestricted net assets - Unrestricted net assets represent resources derived from rental of facilities, state appropriations, and auxiliary enterprises. These resources are used for transactions relating to the general operations of the Academy and may be used at the discretion of the governing board to meet the current expenses for any purpose.

Classification of Revenues: The Academy has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as assessments, pre-employment fees and other receipts.

Nonoperating revenues- Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources, such as State grants and investment income.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

NOTES TO FINANCIAL STATEMENTS - (Continued)

3. CAPITAL ASSETS:

The following summarizes the changes in capital assets, for the year ended June 30, 2015:

	<u>6/30/2014</u> Beginning Balance	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2015</u> Ending Balance
Cost:				
Land	\$ 52,059	\$ -	\$ -	\$ 52,059
Building	1,842,093	-	-	1,842,093
Furnishings and equipment	241,142	-	-	241,142
Office equipment	40,016	-	-	40,016
Vehicles	<u>119,026</u>	<u>-</u>	<u>(15,669)</u>	<u>103,357</u>
Total cost	<u>\$ 2,294,336</u>	<u>\$ -</u>	<u>\$ (15,669)</u>	<u>\$ 2,278,667</u>
Less Accumulated Depreciation:				
Building	\$ 131,915	\$ 63,319	\$ -	\$ 195,234
Furnishings and equipment	135,159	26,169	-	161,328
Office equipment	18,814	7,161	-	25,975
Vehicles	<u>102,001</u>	<u>8,775</u>	<u>(15,669)</u>	<u>95,107</u>
Total accumulated depreciation	<u>387,889</u>	<u>105,424</u>	<u>(15,669)</u>	<u>477,644</u>
Capital assets - Net	<u>\$ 1,906,447</u>	<u>\$ (105,424)</u>	<u>\$ -</u>	<u>\$ 1,801,023</u>

4. LONG-TERM DEBT AND OTHER OBLIGATIONS:

Compensated absences consist of the following as of June 30, 2015:

	<u>6/30/2014</u> Beginning Balance	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2015</u> Ending Balance	<u>Current Portion</u>
Compensated Absences	<u>\$ 34,550</u>	<u>\$ 10,871</u>	<u>\$ (11,822)</u>	<u>\$ 33,599</u>	<u>\$ 6,223</u>

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

NOTES TO FINANCIAL STATEMENTS - (Continued)

4. LONG-TERM DEBT AND OTHER OBLIGATIONS - (Continued):

Notes payable related to capital assets consist of the following as of June 30, 2015:

	6/30/2014			6/30/2015	
	Beginning			Ending	Current
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Portion</u>
Notes payable -					
Capital Assets	\$ 1,848,484	\$ 12,500	\$ (21,962)	\$ 1,839,022	\$ 23,332

In 2011 the U.S. Department of Agriculture, Rural Development approved a loan in the amount of \$1,883,212. As of June 30, 2015 \$1,883,212 had been expended and \$1,839,022 was outstanding. The note required interest-only payments to be made at 4% on June 28, 2012 and 2013. Beginning July 28, 2013, monthly payments of \$8,042, including principal and interest, were and will continue to be made until the note is paid in full on June 28, 2051.

The future schedule of maturities of long-term debt outstanding at June 30, 2015:

Years ending June 30,	
2016	\$ 23,332
2017	24,283
2018	25,273
2019	26,303
2020	27,375
2021 and after	<u>1,712,456</u>
	<u>\$ 1,839,022</u>

5. CONCENTRATION OF CREDIT RISK:

The Academy maintains cash balances at one bank. Amounts in interest and non-interest bearing accounts and money market deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Approximately 30% of the Academy's total operating revenues came from two local enforcement agencies during the year ending June 30, 2015. The current level of the Academy's operations may be impacted if these revenues are discontinued.

6. SUBSEQUENT EVENTS:

The Academy has evaluated all subsequent events through November 6, 2015, the date on which the financial statements were available to be issued.

Calculated solutions.

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

Board of Directors
New River Criminal Justice Training Academy
Dublin, 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 and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the New River Criminal Justice Training Academy ("the Academy"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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.

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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 the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, however our tests disclosed one instance of noncompliance that is required to be reported under specifications for Audits of Authorities, Boards, and Commissions. Our tests disclosed that the Academy's public deposits are not being reported as public deposits and collateralized by the Academy's public depository in accordance with the Security for Public Deposits Act. The Academy is aware of this and is in the process of revising a depository account agreement at a financial institution to help insure that all deposit balances are insured or collateralized.

New River Criminal Justice Training Academy's Response

The Academy's response to the findings identified in our audit is described previously.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Joti, Flynn, Lawson & Company, P. C.

Roanoke, Virginia
November 6, 2015