

**PRELIMINARY
FOR DISCUSSION
PURPOSES ONLY**

**NEW RIVER CRIMINAL JUSTICE
TRAINING ACADEMY**

FINANCIAL STATEMENTS

Year Ended June 30, 2016

**PRELIMINARY
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PRELIMINARY FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New River Criminal Justice Training Academy

We have audited the accompanying financial statements of the New River Criminal Justice Training Academy (The Academy), as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

PRELIMINARY FOR DISCUSSION PURPOSES ONLY

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New River Criminal Justice Training Academy, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 6 to the financial statements, the Academy's current liabilities exceed current assets and also has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016 on our consideration of the Academy's internal controls over financial reporting and 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 the Academy's internal control over financial reporting and compliance.

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

Roanoke, Virginia
October 15, 2016

PRELIMINARY NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY
FOR DISCUSSION STATEMENT OF NET POSITION
PURPOSES ONLY JUNE 30, 2016

ASSETS -

NONCURRENT ASSETS -

Capital assets, net of accumulated depreciation of \$539,962	\$ 1,702,281
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Total assets	<u>\$ 1,702,281</u>
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LIABILITIES:

CURRENT LIABILITIES:

Cash overdraft	\$ 23,503
Compensated absences	16,803
Note payable	<u>24,283</u>

Total current liabilities	<u>64,589</u>
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NONCURRENT LIABILITIES:

Compensated absences	18,130
Note payable	<u>1,791,407</u>

Total noncurrent liabilities	<u>1,809,537</u>
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Total liabilities	<u>1,874,126</u>
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NET POSITION:

Net investment in capital assets	(113,409)
Unrestricted	<u>(58,436)</u>

Total net position	<u>(171,845)</u>
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Total liabilities and net position	<u>\$ 1,702,281</u>
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See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

**PRELIMINARY
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

OPERATING REVENUES:

Local assessments	\$ 303,025
Pre-employment fees	77,244
Miscellaneous income	<u>2,897</u>
Total operating revenues	<u>383,166</u>

OPERATING EXPENSES:

Personnel	201,607
Insurance	16,267
Utilities	22,999
Instructor development	21,600
Student supplies	18,537
Postage	565
Office supplies	6,804
Equipment purchases	1,160
Equipment leases	11,003
Repairs and maintenance	7,711
Telephone	4,945
Janitorial	7,861
Professional services	6,700
Vehicle expense	7,251
Library	2,496
Pre-employment expenses	9,204
Dues and subscriptions	10,510
Depreciation	102,318
Miscellaneous expense	<u>4,726</u>
Total operating expenses	<u>464,264</u>

OPERATING LOSS (81,098)

NONOPERATING REVENUE (EXPENSES):

State grant	76,143
Interest expense	<u>(73,212)</u>
Total net nonoperating revenues (expenses)	<u>2,931</u>

Change in net position (78,167)

NET POSITION:

Net position at beginning of year	<u>(93,678)</u>
Net position at end of year	<u><u>\$ (171,845)</u></u>

See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

PRELIMINARY
FOR DISCUSSION
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STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Local assessments	\$	255,425
Pre-employment fees		77,244
Miscellaneous income		2,897
Payments to personnel		(200,273)
Payments for maintenance & supplies		(71,037)
Payments for utilities & telephone		(27,944)
Payments for other administrative expenses		<u>(51,613)</u>
Net cash used by operating activities		<u>(15,301)</u>

CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES:

Cash overdraft		23,503
State grant		<u>76,143</u>
Net cash provided by noncapital financing activities		<u>99,646</u>

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:

Purchases of capital assets		(3,576)
Principal paid on capital debt		(23,332)
Interest paid on capital debt		<u>(73,212)</u>
Net cash used by capital and related financing activities		<u>(100,120)</u>

NET DECREASE IN CASH (15,775)

CASH - BEGINNING OF YEAR 15,775

CASH - END OF YEAR \$ -

See accompanying notes to financial statements.

PRELIMINARY NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY
FOR DISCUSSION STATEMENT OF CASH FLOWS – (Continued)
PURPOSES ONLY YEAR ENDED JUNE 30, 2016

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

Operating loss	\$	(81,098)
Depreciation expense		102,318
Change in assets and liabilities:		
Prepaid expenses		9,745
Unearned revenue		(47,600)
Compensated absences		<u>1,334</u>
Net cash used by operating activities	\$	<u><u>(15,301)</u></u>

See accompanying notes to financial statements.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

PRELIMINARY FOR DISCUSSION PURPOSES ONLY 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.

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 of 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:

Classification	Life
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

PRELIMINARY
FOR DISCUSSION NOTES TO FINANCIAL STATEMENTS - (Continued)
PURPOSES ONLY

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
PRELIMINARY NOTES TO FINANCIAL STATEMENTS - (Continued)
FOR DISCUSSION PURPOSES ONLY

3. CAPITAL ASSETS:

The following summarizes the changes in capital assets, for the year ended June 30, 2016:

	6/30/2015 Beginning Balance	Additions	Reductions	6/30/2016 Ending Balance
Cost:				
Land	\$ 52,059	\$ -	\$ -	\$ 52,059
Building	1,842,093	-	-	1,842,093
Furnishings and equipment	241,142	1,104	-	242,246
Office equipment	40,016	2,472	-	42,488
Vehicles	103,357	-	(40,000)	63,357
	<u>2,278,667</u>	<u>3,576</u>	<u>(40,000)</u>	<u>2,242,243</u>
Total cost	<u>\$ 2,278,667</u>	<u>\$ 3,576</u>	<u>\$ (40,000)</u>	<u>\$ 2,242,243</u>
Less Accumulated Depreciation:				
Building	\$ 195,234	\$ 63,319	\$ -	\$ 258,553
Furnishings and equipment	161,328	25,168	-	186,496
Office equipment	25,975	6,251	-	32,226
Vehicles	95,107	7,580	(40,000)	62,687
	<u>477,644</u>	<u>102,318</u>	<u>(40,000)</u>	<u>539,962</u>
Total accumulated depreciation	<u>477,644</u>	<u>102,318</u>	<u>(40,000)</u>	<u>539,962</u>
Capital assets - Net	<u>\$ 1,801,023</u>	<u>\$ (98,742)</u>	<u>\$ -</u>	<u>\$ 1,702,281</u>

4. LONG-TERM DEBT AND OTHER OBLIGATIONS:

Compensated absences consist of the following as of June 30, 2016:

	6/30/2015 Beginning Balance	Additions	Reductions	6/30/2016 Ending Balance	Current Portion
Compensated Absences	\$ 33,599	\$ 9,542	\$ (8,208)	\$ 34,933	\$ 16,803
	<u>33,599</u>	<u>9,542</u>	<u>(8,208)</u>	<u>34,933</u>	<u>16,803</u>

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY
PRELIMINARY NOTES TO FINANCIAL STATEMENTS - (Continued)
FOR DISCUSSION PURPOSES ONLY

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

Notes payable related to capital assets consist of the following as of June 30, 2016:

	6/30/2015			6/30/2016	
	Beginning	Additions	Reductions	Ending	Current
	Balance			Balance	Portion
Notes payable- Capital assets	\$ 1,839,022	\$ -	\$ (23,332)	\$ 1,815,690	\$ 24,283

In 2011 the U.S. Department of Agriculture, Rural Development approved a loan in the amount of \$1,883,212. As of June 30, 2016 \$1,883,212 had been expended and \$1,815,640 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, 2016:

Year ending June 30,	
2017	\$ 24,283
2018	25,273
2019	26,303
2020	27,375
2021	28,491
2022 and after	<u>1,683,965</u>
	<u>\$ 1,815,690</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.

NEW RIVER CRIMINAL JUSTICE TRAINING ACADEMY

PRELIMINARY NOTES TO FINANCIAL STATEMENTS - (Continued)

FOR DISCUSSION PURPOSES ONLY

6. GOING CONCERN:

At June 30, 2016 the Academy had a net asset deficiency of \$171,845 which includes a net loss for the year of \$78,167. Additionally, current liabilities exceed current assets by \$64,589. These factors created an uncertainty about the Academy's ability to continue as a going concern.

The Academy has cut nonessential personnel and reduced hours for all but 2 essential operations personnel and has continued to reduce costs where possible. Management is hopeful of an increase in grant income and has started the process to create a Section 501(c)(3) nonprofit Trust set up for the benefit of the Academy. The nonprofit Trust would allow outside donors to contribute to the operations of the Academy and receive a tax write off for such contributions. The ability of the Academy to continue as a going concern is dependent upon increased enrollments and/or additional funding through grants or outside contributions. The financial statements do not include any adjustments that might be necessary if the Academy is unable to continue as a result of this uncertainty.

7. SUBSEQUENT EVENTS:

The Academy has evaluated all subsequent events through October 15, 2016, the date on which the financial statements were available to be issued.

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**INDEPENDENT AUDITOR'S 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
New River Criminal Justice Training Academy

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* issues by the Auditor of public Accounts of the Commonwealth of Virginia, the financial statements of the New River Criminal Justice Training Academy, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the New River Criminal Justice Training Academy's basic financial statements, and have issued our report thereon dated October 15, 2016.

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.

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.

**PRELIMINARY
FOR DISCUSSION
PURPOSES ONLY**
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 of *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 has revised a depository account agreement at a financial institution to help insure that all deposit balances are insured or collateralized. As of October 15, 2016, the date on which the financial statements were available to be issued, the Academy's public deposits are now being reported as public deposits.

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.

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

Roanoke, Virginia
October 15, 2016