

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2014

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New River Valley Regional Jail Authority
Dublin, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise New River Valley Regional Jail's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New River Valley Regional Jail, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of pension and OPEB funding progress on pages 29-30 and 31, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison 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.

Management has omitted the 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 the 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2014, on our consideration of New River Valley Regional Jail's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New River Valley Regional Jail's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
October 26, 2014

Basic Financial Statements

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Net Position
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,552,988
Investments	245,372
Accounts receivable (less allowance for doubtful accounts)	74,126
Due from other governmental units	2,343,612
Noncurrent assets	
Cash and cash equivalents with trustee - restricted	1,557,613
Investments with trustee - restricted	3,725,611
Prepaid bond insurance, net	681,030
Capital assets (net of accumulated depreciation):	
Land	240,396
Machinery and equipment	9,308,193
Buildings and improvements	58,765,114
Total assets	\$ 78,494,055
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net	\$ 407,166
LIABILITIES	
Accounts payable	\$ 310,035
Accrued interest payable	608,686
Accrued benefits	32,098
Long-term liabilities:	
Due within one year	1,655,192
Due in more than one year	53,156,721
Total liabilities	\$ 55,762,732
NET POSITION	
Net investment in capital assets	\$ 14,596,553
Restricted for future debt service	5,283,224
Unrestricted	3,258,712
Total net position	\$ 23,138,489

The accompanying notes to the financial statements are an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Public safety	\$ 20,047,103	\$ 7,524,892	\$ 11,368,570	\$ (1,153,641)
Interest on long-term obligations	2,623,992	-	-	(2,623,992)
Total governmental activities	\$ 22,671,095	\$ 7,524,892	\$ 11,368,570	\$ (3,777,633)
General revenues:				
Unrestricted revenues from use of money and property				\$ 4,675
Miscellaneous				526,923
Total general revenues				531,598
Change in net position				(3,246,035)
Net position - beginning				26,384,524
Net position - ending				\$ 23,138,489

The accompanying notes to the financial statements are an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Balance Sheet
Governmental Funds
At June 30, 2014

	General Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,552,588	\$ -	\$ 400	\$ 1,552,988
Investments	245,372	-	-	245,372
Accounts receivable	69,156	-	4,970	74,126
Due from other governmental units (less allowance for doubtful accounts)	2,343,612	-	-	2,343,612
Noncurrent assets:				
Cash and cash equivalents with trustee - restricted	-	1,557,613	-	1,557,613
Investments with trustee - restricted	-	3,725,611	-	3,725,611
Total assets	\$ 4,210,728	\$ 5,283,224	\$ 5,370	\$ 9,499,322
LIABILITIES AND FUND BALANCE				
Current liabilities:				
Accounts payable	\$ 310,035	\$ -	\$ -	\$ 310,035
Accrued fringes	32,098	-	-	32,098
Total liabilities	\$ 342,133	\$ -	\$ -	\$ 342,133
Fund balance:				
Restricted:				
Debt service	\$ -	\$ 5,283,224	\$ -	\$ 5,283,224
Committed	-	-	5,370	5,370
Unassigned	3,868,595	-	-	3,868,595
Total fund balance	\$ 3,868,595	\$ 5,283,224	\$ 5,370	\$ 9,157,189
Total liabilities and fund balance	\$ 4,210,728	\$ 5,283,224	\$ 5,370	\$ 9,499,322

The accompanying notes to the financial statements are an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet	\$		9,157,189
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			68,313,703
Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds.			681,030
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Revenue bond	\$	(54,665,000)	
Issuance discount (to be amortized as interest expense)		947,850	
Deferred charge on refunding (to be amortized as interest expense)		407,166	
Accrued interest payable		(608,686)	
Net OPEB obligation		(501,574)	
Compensated absences		(593,189)	(55,013,433)
Net position of governmental activities	\$		23,138,489

The accompanying notes to the financial statements are an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	General Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Revenue from use of money and property	\$ 3,174	\$ 1,501	\$ -	\$ 4,675
Charges for services	7,497,757	-	27,135	7,524,892
Miscellaneous	526,923	-	-	526,923
Recovered costs	45,669	-	-	45,669
Intergovernmental	11,368,570	-	-	11,368,570
Total revenues	\$ 19,442,093	\$ 1,501	\$ 27,135	\$ 19,470,729
Expenditures:				
Public Safety:				
Employee costs	\$ 11,943,920	\$ -	\$ -	\$ 11,943,920
Medical costs	1,611,814	-	-	1,611,814
Building costs	1,119,143	-	-	1,119,143
Administrative costs	30,070	-	-	30,070
Service contracts/treatment costs	253,504	-	-	253,504
Telecommunication costs	36,137	-	-	36,137
Vehicle/equipment costs	158,625	-	-	158,625
Inmate costs	1,217,133	-	-	1,217,133
Custodial costs	77,308	-	-	77,308
Travel costs	2,192	-	-	2,192
Training and operational costs	78,790	-	-	78,790
Program costs	-	-	10,845	10,845
Debt Service:				
Principal	-	1,200,000	-	1,200,000
Interest and other fiscal charges	-	2,498,198	-	2,498,198
Total expenditures	\$ 16,528,636	\$ 3,698,198	\$ 10,845	\$ 20,237,679
Excess (deficiency) of revenues over (under) expenditures	\$ 2,913,457	\$ (3,696,697)	\$ 16,290	\$ (766,950)
Other financing sources (uses):				
Transfers in	\$ 16,540	\$ 3,723,389	\$ -	\$ 3,739,929
Transfers out	(3,723,389)	-	(16,540)	(3,739,929)
Total other financing sources (uses)	\$ (3,706,849)	\$ 3,723,389	\$ (16,540)	\$ -
Net change in fund balance	\$ (793,392)	\$ 26,692	\$ (250)	\$ (766,950)
Fund balance, beginning of year	4,661,987	5,256,532	5,620	9,924,139
Fund balance, end of year	\$ 3,868,595	\$ 5,283,224	\$ 5,370	\$ 9,157,189

The accompanying notes to the financial statements are an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(766,950)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital asset purchases in the current period.

Capital outlay	\$	35,040	
Depreciation expense		<u>(3,524,943)</u>	(3,489,903)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on revenue bond	\$	<u>1,200,000</u>	1,200,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Increase (decrease) in discount on revenue bond	\$	(39,700)	
Increase (decrease) in deferred charge on refunding		(68,817)	
Increase (decrease) in prepaid bond insurance		(28,343)	
(Increase) decrease in compensated absences		(9,273)	
(Increase) decrease in accrued interest payable		11,066	
(Increase) decrease in net OPEB obligation		<u>(54,115)</u>	<u>(189,182)</u>

Change in net position of governmental activities	\$	<u>(3,246,035)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>80,863</u>
LIABILITIES	
Accounts payable	\$ 3,281
Amounts held for inmate benefits	<u>77,582</u>
Total liabilities	<u>\$ 80,863</u>

The accompanying notes to the financial statements are an integral part of this statement.

New River Valley Regional Jail Authority

Notes to the Financial Statements June 30, 2014

Note 1-Summary of Significant Accounting Policies:

The financial statements of the New River Valley Regional Jail Authority (the Authority) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Authority was created by concurrent resolutions of the Counties of Bland, Carroll, Floyd, Giles, Grayson, Pulaski and Wythe and the City of Radford. The Authority was created under the provisions of Title 53.1, Chapter 3, Articles 3.1 and 5 of the Code of Virginia (1950), as amended. The Authority was created to construct and operate jail facilities for the participating jurisdictions.

The Authority does not have any component units. In addition, the Authority is not considered a component unit of any of the participating jurisdictions.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority (primary government). For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are other charges between the Authority's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. The fund is used to account for and report all financial resources except those required to be accounted for report in another fund. Revenues are derived primarily from state and federal distributions as well as charges to participating localities. The General Fund is considered a major fund for reporting purposes.

The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The Debt Service Fund is considered a major fund.

Additionally, the Authority reports the following fund types:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The only special revenue fund is the Home Electronic Monitoring (HEM) Fund, which is considered a non-major fund.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the Authority reports the following fund types: (continued)

Fiduciary funds (trust and agency funds) account for assets held by the Authority in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The only agency fund is the Inmate Trust.

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance

1. *Cash and Cash Equivalents*

The Authority's cash and cash equivalents (including cash in custody of trustee) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Investments*

Investments for the Authority are reported at fair value. The State Non-Arbitrage Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

3. *Use of Estimates*

The preparation of financial statements in conformity with 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.

4. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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New River Valley Regional Jail Authority
 Notes to the Financial Statements
 June 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance (continued)

4. *Capital Assets (continued)*

Property, plant, and equipment of the Authority are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Machinery and equipment	5-20

5. *Accounts Receivable*

Accounts receivable are stated at book value. The Authority has created an allowance for doubtful accounts based on amounts uncollected for greater than 90 days. The amount at June 30, 2014 was \$51,589.

6. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Authority's employees accrue paid time off at various rates based on the total years of service during employment as a full-time employee. Employees will be allowed to accumulate their maximum accrued hours per year as determined by years of service. An employee can accrue more than the maximum hours allowed however, the maximum amount will only be carried beyond December 31st of each year. Upon termination, full compensation will be paid for unused paid time off up to the designated maximum based upon total years of service. The Authority's employees also accrue comp time at time and a half which is paid in full upon termination. During FY2014 the Authority adopted a new policy regarding sick leave. Upon retirement, employees with 5 years of service receive their sick leave at 25% up to \$5,000. The Authority's liability for compensated absences, including sick leave to those employees eligible to retire at June 30, 2014 was \$593,189.

7. *Restricted Assets*

Restricted cash is set aside for future debt service expenditures.

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance (continued)

8. *Long-term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as deferred bond insurance, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond insurance is reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. At June 30, 2014 the Authority had \$407,166 in a deferred outflow of resource due to deferred costs of bond refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2014.

10. *Net Position*

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position. GASB Statement 34 requires the reporting of net position classified according to external donor restrictions or availability of assets for satisfaction of obligations.

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance
(continued)

10. *Net Position (continued)*

The Authority's net position is classified as follows: (continued)

Restricted- This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

11. *Net Position Flow Assumption*

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

12. *Fund Equity*

The Authority reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the Superintendent to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance
(continued)

12. Fund Equity (continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order; restrictive, committed, assigned and unassigned, as they are needed.

Note 2-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's only investments, Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (SNAP) are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities:

The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 2-Deposits and Investments: (continued)

Credit Risk of Debt Securities: (continued)

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
Local Government Investment Pool (LGIP)	\$ 245,372
State Non-Arbitrage Pool (SNAP)	3,725,696
Total	<u>\$ 3,971,068</u>

Concentration of Credit Risk:

At June 30, 2014, the Authority did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pools (Local Government Investment Pool (LGIP) and State Non Arbitrage Pool (SNAP)) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. The LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 3-Receivables:

At June 30, 2014, the Authority had the following receivables:

Amounts due from other governmental units:	
Amounts due from the State Compensation Board for Jail Payroll	\$ 724,503
Amounts due from the State for Per Diems	860,662
Amounts due from participating jurisdictions (net)	758,447
Total amounts due from other governmental units	<u>\$ 2,343,612</u>
Accounts receivable:	
Inmate telephone	\$ 38,098
Miscellaneous receivables	36,028
Total accounts receivable	<u>\$ 74,126</u>

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 4-Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2014:

	Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
Revenue Bond	\$ 55,865,000	\$ -	\$ (1,200,000)	\$ 54,665,000
Discount on Revenue Bond	(987,550)	-	39,700	(947,850)
Compensated Absences	583,916	447,210	(437,937)	593,189
Net OPEB Obligation	447,459	66,915	(12,800)	501,574
Total	\$ 55,908,825	\$ 514,125	\$ (1,611,037)	\$ 54,811,913

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bond	
	Principal	Interest
2015	\$ 1,250,000	\$ 2,450,325
2016	1,300,000	2,399,325
2017	1,350,000	2,346,325
2018	1,405,000	2,287,713
2019	1,465,000	2,219,475
2020-2024	8,365,000	10,073,588
2025-2029	10,370,000	8,006,925
2030-2034	12,930,000	5,392,050
2035-2039	16,230,000	1,999,275
	\$ 54,665,000	\$ 37,175,001

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 4-Long-Term Obligations: (continued)

Details of long-term obligations:

	Interest Rates	Final Maturity Date	Amount of Original Issue	Installment Frequency	Amount Outstanding	Amount due Within 1 year
Revenue bond	3.00-4.75%	10/1/2038	\$ 60,940,000	Annual*	\$ 54,665,000	\$ 1,250,000
Less: Discount					(947,850)	(39,700)
Total revenue bond					<u>\$ 53,717,150</u>	<u>\$ 1,210,300</u>
Other long-term obligations:						
Compensated absences					\$ 593,189	\$ 444,892
Net OPEB obligation					501,574	-
Total other long-term obligations					<u>\$ 1,094,763</u>	<u>\$ 444,892</u>
Grand total long-term obligations					<u>\$ 54,811,913</u>	<u>\$ 1,655,192</u>

*Annual payment equals amount due within 1 year but does not include semi-annual interest installments

The Authority also has an outstanding line of credit with Union First Bank. The allowable principal amount was changed from \$300,000 to \$600,000 on January 24, 2013. However, the line of credit did not have any activity during fiscal year 2014 and as of June 30, 2014 had no outstanding balance.

Note 5-Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned 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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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 or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **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.

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 1 (CONTINUED)

6. **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.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

VRS - PLAN 1 (CONTINUED)

14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

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.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **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.

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

VRS – PLAN 2

1. **Plan Overview** - VRS 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 VRS 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.
2. **Eligible Members** - Employees are in VRS 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.
3. **Hybrid Opt-In Election** - VRS 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 VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1-Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1- Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1-Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1-Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

VRS - PLAN 2 (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **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%.

14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

16. **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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

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Note 5-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - 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 VRS Plan 1 and VRS 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.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS 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

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. (continued)

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **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.

5. **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 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. **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. VRS Plan 1 or VRS 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.

Defined Contribution 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.

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. **Vesting (continued)**

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- 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 70½.

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1-Refer to Section 7.

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.

8. **Average Final Compensation** - Same as VRS Plan 2-Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. **Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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Note 5-Pension Plan: (continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 17.

Defined Contribution Component - Not Applicable.

New River Valley Regional Jail Authority
 Notes to the Financial Statements
 June 30, 2014 (continued)

Note 5-Pension Plan: (continued)

A. Plan Description (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the Authority 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 Authority's contribution rate for the fiscal year ended 2014 was 13.32% (not including the 5% member contribution) of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the New River Valley Regional Jail Authority's annual pension cost of \$1,138,260 was equal to the New River Valley Regional Jail Authority's required and actual contributions.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) *	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 1,138,260	100.00%	\$ -
6/30/2013	1,126,109	100.00%	-
6/30/2012	1,360,021	100.00%	-

* For fiscal years 2013 and 2014 amount shown is employer portion only. For fiscal year 2012, amount shown includes the employee portion assumed by the Authority.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 5-Pension Plan: (continued)

C. Annual Pension Cost (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the New River Valley Regional Jail Authority'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. The New River Valley Regional Jail Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Authority's plan was 98.81% funded. The actuarial accrued liability for benefits was \$13,331,467, and the actuarial value of assets was \$13,173,063, resulting in an unfunded actuarial accrued liability (UAAL) of \$158,404. The covered payroll (annual payroll of active employees covered by the plan) was \$8,515,729 and ratio of the UAAL to the covered payroll was 1.86%.

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

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 6-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 240,396	\$ -	\$ -	\$ 240,396
Capital assets being depreciated:				
Buildings and Improvements	\$ 74,225,103	\$ -	\$ -	\$ 74,225,103
Machinery and Equipment	18,181,791	35,040	-	18,216,831
Total capital assets being depreciated	\$ 92,406,894	\$ 35,040	\$ -	\$ 92,441,934
Accumulated depreciation:				
Buildings and Improvements	\$ (13,604,362)	\$ (1,855,627)	\$ -	\$ (15,459,989)
Machinery and Equipment	(7,239,322)	(1,669,316)	-	(8,908,638)
Total accumulated depreciation	\$ (20,843,684)	\$ (3,524,943)	\$ -	\$ (24,368,627)
Total capital assets being depreciated, net	\$ 71,563,210	\$ (3,489,903)	\$ -	\$ 68,073,307
Governmental activities capital assets, net	\$ 71,803,606	\$ (3,489,903)	\$ -	\$ 68,313,703

All depreciation expense was charged to the public safety function in the Statement of Activities.

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 7-Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates with other government entities in a public entity risk pool for its coverage of liability insurance through VARISK 2 insurance pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority pays contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Authority continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8-Other Postemployment Benefits - Health Insurance:

From an accrual accounting perspective, the cost of other postemployment benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2010, the Authority recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the Authority's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

A. Plan Description

The New River Valley Regional Jail Authority administers a single-employer healthcare plan ("the Plan"). The Authority provides postemployment medical and dental benefits to its retirees who elect to stay in the plans. At retirement, retirees may stay in one of two plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65 or becoming eligibility for Medicare, whichever comes first. The Authority may change, add or delete benefits (including contributions required of retired persons) as deemed appropriate.

Participants are eligible for the plan upon eligibility to retire under the provisions of the Virginia Retirement System (VRS). The earliest retirement age is 50 with 10 years of service for general employees and 5 years of service for safety officers.

B. Funding Policy

The Authority currently pays for the post-retirement health care benefits on a pay-as-you-go basis. The Authority currently has 250 employees that are eligible for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees. Retirees are eligible to choose one of the following medical options through the Authority. The rates are as follows:

	<u>Retiree</u>
Key Advantage Expanded	\$ 500
Key Advantage 250	466

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 8-Other Postemployment Benefits - Health Insurance: (continued)

B. Funding Policy (continued)

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The AR represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation:

C. Annual OPEB Cost and Net OPEB Obligation

For 2014, the Authority's annual OPEB cost (expense) of \$66,915 did not equal the ARC of \$67,800. The obligation calculation is as follows:

Annual required contribution	\$ 67,800
Interest on net OPEB obligation	15,661
Adjustment to annual required contribution	<u>(16,546)</u>
Annual OPEB cost (expense)	66,915
Contributions made	<u>12,800</u>
Increase in net OPEB obligation	54,115
Net OPEB obligation - beginning of year	<u>447,459</u>
Net OPEB obligation - end of year	\$ 501,574

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014 \$	66,915	19.13% \$	502,077
6/30/2013	114,014	6.67%	447,459
6/30/2012	106,620	2.44%	341,045

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New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 8-Other Postemployment Benefits - Health Insurance: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the Authority as of June 30, 2014, the most recent actuarial date, is as follows:

Actuarial accrued liability (AAL)	\$	421,400
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	421,400
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	8,730,300
UAAL as a percentage of covered payroll		4.83%

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, the most recent actuarial valuation date, the projected unit credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.50 percent, plus productivity component of 1.25 percent, and investment's rate of return at 3.50 percent, and a health care trend rate of 7.50 percent graded to 5.80 percent over 80 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over the remaining amortization period, which at June 30, 2014 was 30 years.

New River Valley Regional Jail Authority
Notes to the Financial Statements
June 30, 2014 (continued)

Note 9-Litigation:

As of June 30, 2014, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

Required Supplementary Information

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Charges to participating jurisdictions:				
Bland County	\$ 229,741	\$ 229,741	\$ 179,635	\$ (50,106)
Carroll County	1,326,172	1,326,172	1,138,764	(187,408)
Giles County	798,174	798,174	1,005,224	207,050
Grayson County	712,544	712,544	569,035	(143,509)
Floyd County	449,600	449,600	472,740	23,140
Pulaski County	1,963,180	1,963,180	2,141,008	177,828
Radford City	698,142	698,142	671,778	(26,364)
Wythe County	1,495,683	1,495,683	1,319,573	(176,110)
Work release program	16,000	16,000	13,961	(2,039)
Interest income	2,881	2,881	3,174	293
Inmate telephone income	375,105	375,105	478,018	102,913
Inmate cost recovery	37,792	37,792	45,669	7,877
Miscellaneous revenue	80,240	80,240	34,944	(45,296)
	<u>\$ 8,185,254</u>	<u>\$ 8,185,254</u>	<u>\$ 8,073,523</u>	<u>\$ (111,731)</u>
Total revenue from local sources				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Reimbursement of salaries and fringes	\$ 9,164,101	\$ 9,164,101	\$ 8,835,646	\$ (328,455)
State per diem warrant	2,191,330	2,191,330	2,501,558	310,228
Other	87,940	87,940	31,366	(56,574)
	<u>\$ 11,443,371</u>	<u>\$ 11,443,371</u>	<u>\$ 11,368,570</u>	<u>\$ (74,801)</u>
Total revenue from the Commonwealth				
	<u>\$ 19,628,625</u>	<u>\$ 19,628,625</u>	<u>\$ 19,442,093</u>	<u>\$ (186,532)</u>
Total revenues				
Expenditures:				
Public Safety:				
Employee costs	\$ 12,157,891	\$ 12,157,891	\$ 11,943,920	\$ 213,971
Medical costs	1,542,650	1,542,650	1,611,814	(69,164)
Building costs	947,619	947,619	1,119,143	(171,524)
Administrative costs	14,144	14,144	30,070	(15,926)
Service contracts/treatment costs	196,048	196,048	253,504	(57,456)
Telecommunication costs	28,720	28,720	36,137	(7,417)
Vehicle/equipment costs	52,892	52,892	158,625	(105,733)
Inmate costs	856,033	856,033	1,217,133	(361,100)
Custodial costs	51,235	51,235	77,308	(26,073)
Travel costs	2,637	2,637	2,192	445
Training and operational costs	72,400	72,400	78,790	(6,390)
	<u>\$ 15,922,269</u>	<u>\$ 15,922,269</u>	<u>\$ 16,528,636</u>	<u>\$ (606,367)</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,706,356</u>	<u>\$ 3,706,356</u>	<u>\$ 2,913,457</u>	<u>\$ (792,899)</u>

NEW RIVER VALLEY REGIONAL JAIL AUTHORITY
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual - General Fund (Continued)
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ -	\$ -	\$ 16,540	\$ 16,540
Transfers out	(3,720,047)	(3,720,047)	(3,723,389)	(3,342)
Total other financing sources (uses)	\$ (3,720,047)	\$ (3,720,047)	\$ (3,706,849)	\$ 13,198
Net change in fund balance	\$ (13,691)	\$ (13,691)	\$ (793,392)	\$ (779,701)
Fund balance, beginning of year	-	-	4,661,987	4,661,987
Fund balance, end of year	\$ (13,691)	\$ (13,691)	\$ 3,868,595	\$ 3,882,286

New River Valley Regional Jail Authority
 Schedule of Pension and OPEB Funding Progress
 For the Year Ended June 30, 2014

VRS Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 13,173,063	\$ 13,331,467	\$ 158,404	98.81%	\$ 8,515,729	1.86%
June 30, 2012	11,388,256	12,300,404	912,148	92.58%	7,877,956	11.58%
June 30, 2011	10,071,868	10,952,502	880,634	91.96%	7,993,995	11.02%

Other Postemployment Benefits (OPEB) - Health Insurance

Actuarial Valuation as of*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 421,400	\$ 421,400	0.00%	\$ 8,730,300	4.83%
June 30, 2012	-	528,600	528,600	0.00%	8,042,900	6.57%
June 30, 2010	-	462,600	462,600	0.00%	5,862,967	7.89%

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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
New River Valley Regional Jail Authority
Dublin, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of New River Valley Regional Jail Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise New River Valley Regional Jail Authority's basic financial statements and have issued our report thereon dated October 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New River Valley Regional Jail Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New River Valley Regional Jail Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of New River Valley Regional Jail Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness [2014-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New River Valley Regional Jail Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

New River Valley Regional Jail's Response to Finding

New River Valley Regional Jail's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. New River Valley Regional Jail's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Fauser, Cox Associates

Blacksburg, Virginia

October 26, 2014

New River Valley Regional Jail Authority
 Schedule of Findings and Responses
 Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2014-001

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Authority's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP).
Cause of Condition:	The Authority has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented, or detected and corrected, by the entity's internal controls over financial reporting.
Recommendation:	Management should continue to work towards making all necessary entries and adjustments.
Management's Response:	Management concurs that adjustments in material amounts were required to comply with GAAP. Management will continue to work with the auditors to improve on having the financial statements ready for audit.