

**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEVELL COUNTY, VIRGINIA  
A COMPONENT UNIT OF TAZEVELL COUNTY, VIRGINIA  
FINANCIAL REPORT  
For the Year Ended June 30, 2020**

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INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWell COUNTY, VIRGINIA

A COMPONENT UNIT OF TAZEWell COUNTY, VIRGINIA

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## **FINANCIAL SECTION**



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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**Independent Auditors' Report**

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**To the Honorable Members of  
Industrial Development Authority of Tazewell County  
Tazewell, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Industrial Development Authority of Tazewell County (the Authority), a component unit of Tazewell County, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2020, and the changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Restatement of Beginning Balances***

As described in Note 8, the Authority restated beginning balances to reflect a change in error. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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 22, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

*Robinson, Jarman, Cox Associates*

Blacksburg, Virginia  
October 22, 2020

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## **Basic Financial Statements**

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**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA**  
**A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**AT JUNE 30, 2020**

**Assets:**

## Current Assets:

Cash and cash equivalents	\$ 665,907
Notes receivable - net of allowance, current portion	<u>325,370</u>
Total Current Assets	<u>\$ 991,277</u>

## Noncurrent Assets:

Notes receivable - net of allowance, noncurrent portion	<u>\$ 1,647,487</u>
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## Capital Assets:

Non-depreciable assets	\$ 18,643,583
Depreciable assets, (net of accumulated depreciation)	<u>7,162,992</u>

Total Capital Assets	<u>\$ 25,806,575</u>
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Total Noncurrent Assets	<u>\$ 27,454,062</u>
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Total Assets	<u>\$ 28,445,339</u>
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**Liabilities:**

## Current Liabilities:

Accounts payable	\$ 12,797
Unearned revenue	3,000
Loans payable, current portion	<u>177,633</u>

Total Current Liabilities	<u>\$ 193,430</u>
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## Noncurrent Liabilities:

Loans payable, noncurrent portion	<u>\$ 4,090,824</u>
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Total Liabilities	<u>\$ 4,284,254</u>
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**Net Position:**

Net investment in capital assets	\$ 22,942,945
Unrestricted	<u>1,218,140</u>

Total Net Position	<u>\$ 24,161,085</u>
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The accompanying notes to financial statements are an integral part of this statement.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA**  
**A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Operating Revenues:</b>	
Rent revenue	\$ 359,803
Other revenue	<u>88,928</u>
Total Operating Revenues	<u>\$ 448,731</u>
<b>Operating Expenses:</b>	
Depreciation	\$ 243,987
Travel	1,959
Advertising	12,670
Utilities	77,364
Economic Development payments	113,300
Other expenses	3,765
Insurance	38,769
Professional fees	26,845
Rent	257,526
Repairs and maintenance	<u>35,510</u>
Total Operating Expenses	<u>\$ 811,695</u>
Operating Income (Loss)	<u>\$ (362,964)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Interest expense	<u>\$ (11,771)</u>
Income (loss) before capital contributions	<u>\$ (374,735)</u>
<b>CAPITAL CONTRIBUTIONS:</b>	
Contributions from Tazewell County	<u>\$ 50,278</u>
Change in Net Position	\$ (324,457)
Net Position, Beginning of Year, as restated	<u>24,485,542</u>
Net Position, End of Year	<u><u>\$ 24,161,085</u></u>

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



INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA  
A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020

<b>Cash flows from operating activities:</b>	
Cash received from rent revenue	\$ 359,803
Cash received from other revenues	88,928
Cash payments for operating expenses	(585,292)
Net cash provided by (used for) operating activities	<u>\$ (136,561)</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal payments on loans payable	\$ (21,251)
Interest payments on loans payable	(11,771)
Payments for property and construction	(22,107)
Contributions from Tazewell County	50,278
Net cash provided by (used for) capital and related financing activities	<u>\$ (4,851)</u>
<b>Cash flows from noncapital financing activities:</b>	
Issuance of loans receivable	\$ (1,467,681)
Payments on loans receivable	166,878
Proceeds from issuance of loans payable	1,454,426
Principal payments on loans payable	(49,599)
Net cash provided by (used for) noncapital financing activities	<u>\$ 104,024</u>
Net increase (decrease) in cash	\$ (37,388)
Cash and cash equivalents, at beginning of year	<u>703,295</u>
Cash and cash equivalents, at end of year	<u><u>\$ 665,907</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating Income (Loss)	\$ (362,964)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	243,987
Changes in operating assets and liabilities	
Accounts payable	(17,584)
Net cash provided by (used for) operating activities	<u><u>\$ (136,561)</u></u>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 1 - ORGANIZATION, DESCRIPTION OF THE ENTITY, AND ITS ACTIVITIES:**

The Industrial Development Authority of Tazewell County, Virginia was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Tazewell County Board of Supervisors pursuant to the provisions of the Industrial Development and Revenue Bond Act [Chapter 22, Section 15.1-1373, et. seq. of the Code of Virginia (1950), as amended]. The Authority is governed by six directors appointed by the Board of Supervisors of Tazewell County, Virginia. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Financial Statement Presentation**

The financial statements of the Industrial Development Authority of Tazewell County have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Proprietary Fund**

The Proprietary Fund accounts for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is based upon determination of net income and financial position. The proprietary fund of the Authority is an Enterprise Fund which includes all of the Authority's operations.

**Enterprise Fund**

The Enterprise Fund accounts for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

**Financial Reporting Entity**

The Industrial Development Authority of Tazewell County has been included in the financial statements of Tazewell County, Virginia as a component unit.

The Authority was included as a component unit of the County due to its financial relationship with the County.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

**Basis of Accounting**

The Enterprise Fund uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are interest, rent and grants. Operating expenses include the costs of administration and related expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**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. The Authority does not have any deferred outflows of resources as of June 30, 2020.

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, 2020.

**Net Position**

For the Authority, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEVELL COUNTY, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)**

Net Position (continued)

Sometimes the Authority will fund outlays for a particular purpose from both restricted 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the Authority considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the 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 if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the current or previous fiscal year.

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

<u>Assets</u>	<u>Years</u>
Leasehold Improvements	20-40
Buildings	10-40
Equipment	5

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEVELL COUNTY, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**NOTE 3 - 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 the 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 that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Authority does not have an investment policy and had no investments at June 30, 2020.

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**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 4 - NOTES RECEIVABLE:**

At June 30, 2020, the Authority had the following notes receivable outstanding:

Borrower	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance at June 30
Heintzmann Corporation	0.00%	12/4/2015	2024	\$ 10,000	\$ 10,000
Price Land Holdings, Inc	5.00%	2/1/2018	2021	75,000	75,000
The Cafeteria, LLC	2.00%	3/2/2020	2025	45,000	42,000
Pocahontas Off-Road, LLC (A)	10.00%	3/22/2019	2025	25,000	22,819
Fisher & Company	3.00%	5/1/2020	2023	10,000	8,811
Pyott Boone	0.00%	7/1/2015	2024	600,000	495,000
Clinch River Forest Products, Inc.	0.00%	5/15/2015	2027	500,000	500,000
Clinch River Forest Products, Inc. (B)	2.44%	5/15/2015	2028	854,426	804,827
Various entities - COVID-19 loans	0.00%	various	2024	99,400	99,400
					<u>\$ 2,057,857</u>

(A) Note was under a 4 month deferral period beginning in March of 2020 due to COVID-19 pandemic.

(B) Note was under a 6 month deferral period beginning in June of 2020 due to COVID-19 pandemic.

The collectability of certain loans is uncertain as of June 30, 2020 and, therefore, an allowance of \$85,000 has been recorded for financial reporting purposes.

The IDA Board is working with the County to determine if CARES funding received can be utilized to forgive the COVID-19 loans issued with an outstanding balance of \$99,400.

**NOTE 5 - LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term obligations of the Authority for the fiscal year ended June 30, 2020:

	Beginning Balance	Issuances	Retirements	Ending Balance
Direct Borrowings and Placements:				
Loans payable	<u>\$ 2,884,881</u>	<u>\$ 1,454,426</u>	<u>\$ (70,850)</u>	<u>\$ 4,268,457</u>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 5 - LONG-TERM OBLIGATIONS:** (continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance at June 30	Amount Due Within One Year
VCEDA	0.00%	4/27/2017	2027	\$ 2,739,700	\$ 2,544,328	\$ -
VCEDA	0.00%	5/15/2020	2028	500,000	500,000	47,619
VCEDA	0.00%	4/16/2020	2024	100,000	100,000	-
VSBFA (A)	2.44%	5/15/2020	2027	854,426	804,827	111,444
National Bank	3.23%	8/3/2018	2033	362,000	319,302	18,570
					<u>\$ 4,268,457</u>	<u>\$ 177,633</u>

(A) Note was under a 6 month deferral period beginning in June of 2020 due to COVID-19 pandemic.

The \$2,739,700 loan through VCEDA is collateralized by the deed of trust on the building constructed using loan proceeds along with a 7.271 acre site at The Bluestone Technology Park. In the event of default on the loan, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable. The \$500,000 loan through VCEDA is collateralized by a first priority security interest in at least \$500,000 of equipment and a second priority security interest in at least \$1.4 million in equipment.

Annual requirements to amortize the loans payable and related interest are as follows:

Year Ending June 30	Direct Borrowings and Placements	
	Loans Payable	
	Principal	Interest
2021	\$ 177,633	\$ 26,270
2022	216,799	25,122
2023	220,555	21,366
2024	324,384	17,536
2025	217,087	13,167
2026-2030	3,025,963	28,851
2031-2034	86,036	4,869
Totals	<u>\$ 4,268,457</u>	<u>\$ 137,181</u>

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**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWell COUNTY, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

**NOTE 6 - CAPITAL ASSETS:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 16,079,525	\$ -	\$ -	\$ 16,079,525
Assets held for resale	2,564,058	-	-	2,564,058
Construction in Progress	539,780	22,107	(561,887)	-
Total capital assets not being depreciated	\$ 19,183,363	\$ 22,107	\$ (561,887)	\$ 18,643,583
Capital assets, being depreciated:				
Buildings	\$ 929,684	\$ 561,887	\$ -	\$ 1,491,571
Equipment	29,402	-	-	29,402
Leasehold improvements	9,327,407	-	-	9,327,407
Total capital assets being depreciated	\$ 10,286,493	\$ 561,887	\$ -	\$ 10,848,380
Accumulated depreciation:				
Buildings	\$ (840,868)	\$ (9,935)	\$ -	\$ (850,803)
Equipment	(29,402)	-	-	(29,402)
Leasehold improvements	(2,571,131)	(234,052)	-	(2,805,183)
Total accumulated depreciation	\$ (3,441,401)	\$ (243,987)	\$ -	\$ (3,685,388)
Total capital assets being depreciated, net	\$ 6,845,092	\$ 317,900	\$ -	\$ 7,162,992
Capital assets, net	\$ 26,028,455	\$ 340,007	\$ (561,887)	\$ 25,806,575

Depreciation expense for the year amounted to \$243,987.

**NOTE 7 - CONTINGENCIES AND EVENTS OF DEFAULT:**

Although obligations under the revenue bonds issued to date are secured by the underlying properties, the Authority retains no liability. The Authority and the Board of Supervisors of Tazewell County, Virginia may choose at their option to assume responsibility for the bonds in the event of default to preserve the credit rating of the Authority for future issues.

At June 30, 2020, the Authority had no pending litigation to report.



INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**NOTE 8 - RESTATEMENT OF BEGINNING BALANCE:**

Beginning balances have been restated for the current fiscal year as detailed below:

Beginning balance, as previously reported	\$ 23,890,542
To record loan receivable	595,000
Beginning balance, as restated	<u><u>\$ 24,485,542</u></u>

**NOTE 9 - UPCOMING PRONOUNCEMENTS:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEVELL COUNTY, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

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**NOTE 9 - UPCOMING PRONOUNCEMENTS: (continued)**

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**NOTE 10 - SUBSEQUENT EVENTS:**

On September 17, 2020, the County's Board of Supervisors approved \$99,400 in CARES CRF funds received to be used as debt forgiveness for businesses who received loans through the VCEDA program in April 2020.

The full impact of the COVID-19 outbreak continues to evolve as of the release date of this report. As such, the full magnitude that the pandemic will have on the Authority's financial condition, liquidity, and future results of operations is uncertain. Management is monitoring the global situation and impact that it may have on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

## **COMPLIANCE SECTION**



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*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***

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**To the Honorable Members of  
Industrial Development Authority of Tazewell County  
Tazewell, 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 business-type activities of the Industrial Development Authority of Tazewell County (Authority), a component unit of Tazewell County, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 22, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

*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 deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

## **The Authority's Response to Finding**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority'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, Jarman, Cox Associates*

Blacksburg, Virginia  
October 22, 2020

Tazewell County Industrial Development Authority  
(A Component Unit of Tazewell County, Virginia)  
Schedule of Findings and Responses  
For the Year Ended June 30, 2020

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

2020-001

Condition:	Currently the Authority lacks a proper segregation of duties over the accounts payable and collection functions.
Cause:	One employee is responsible for initiating, recording, and posting all transactions.
Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to the billing function and also take in collections. In addition, the individual responsible for the accounts payable function should not have the ability to enter new vendors into the system.
Context:	Auditors performed risk assessment procedures that determined there was a lack of segregation of duties.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.
Management's Response:	Management acknowledges that internal controls over the collection function as well as the accounts payable function lack proper segregation of duties. The Authority is working with County staff to appropriately segregate duties.

**Section III - Prior Year Findings**

2019-001

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This finding is repeated in the current year as 2020-001.