

---

---

VIRGINIA'S HEARTLAND REGIONAL  
INDUSTRIAL FACILITY AUTHORITY  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

ROBINSON, FARMER, COX ASSOCIATES

*A PROFESSIONAL LIMITED LIABILITY COMPANY      CERTIFIED PUBLIC ACCOUNTANTS*

---

---

CHARLOTTESVILLE    □    RICHMOND    □    FREDERICKSBURG    □    STAUNTON    □    BLACKSBURG    □    LOUISA



**VIRGINIA’S HEARTLAND REGIONAL  
INDUSTRIAL FACILITY AUTHORITY  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**Table of Contents**

---

	<u>Page</u>
Independent Auditors’ Report .....	1-2
 <i>Basic Financial Statements:</i>	
Statement of Net Position .....	3
Statement of Revenues, Expenses and Change in Net Position .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6-8
 <i>Compliance:</i>	
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 <i>Government Auditing Standards</i> .....	9-10

# ROBINSON, FARMER, COX ASSOCIATES

---

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

## Independent Auditors' Report

---

To the Board of Directors  
Virginia's Heartland Regional Industrial Facility Authority  
Charlotte Court House, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Virginia's Heartland Regional Industrial Facility Authority, as of and for the year ended June 30, 2017, 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 Virginia's Heartland Regional Industrial Facility Authority, as of June 30, 2017, 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.

## *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 January 9, 2018, on our consideration of Virginia's Heartland Regional Industrial Facility 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 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 the Authority's internal control over financial reporting and compliance.

*Robinson, Turner, Co. Associates*  
Charlottesville, Virginia  
January 9, 2018

- Basic Financial Statements -

VIRGINIA'S HEARTLAND REGIONAL INDUSTRIAL FACILITY AUTHORITY

Statement of Net Position  
At June 30, 2017

---

Assets

Current Assets:

Cash and cash equivalents \$ 207,833

Total current assets \$ 207,833

Other Assets:

Investment in industrial park \$ 3,745,170

Total other assets \$ 3,745,170

Total assets \$ 3,953,003

Net Position

Unrestricted \$ 3,953,003

Total net position \$ 3,953,003

Total liabilities and net position \$ 3,953,003

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

VIRGINIA'S HEARTLAND REGIONAL INDUSTRIAL FACILITY AUTHORITY

Statement of Revenues, Expenses and Change in Net Position  
For the Year Ended June 30, 2017

---

**Operating revenues:**

Rent	\$ <u>9,713</u>
Total operating revenues	\$ <u>9,713</u>

**Operating expenses:**

Professional fees	\$ 9,979
Park maintenance	12,630
Electricity	4,868
Utilities	813
Insurance	1,748
Miscellaneous	<u>3,981</u>
Total operating expenses	\$ <u>34,019</u>

Operating income (loss)	\$ <u>(24,306)</u>
-------------------------	--------------------

**Nonoperating revenues (expenses):**

Interest and investment income	\$ <u>1,076</u>
Change in net position	\$ (23,230)
Net position, beginning of year	<u>3,976,233</u>
Net position, end of year	\$ <u><u>3,953,003</u></u>

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

VIRGINIA'S HEARTLAND REGIONAL INDUSTRIAL FACILITY AUTHORITY

Statement of Cash Flows  
For the Year Ended June 30, 2017

---

Cash flows from operating activities:	
Receipts from customers	\$ 9,713
Payments to vendors and governments	<u>(35,469)</u>
Net cash provided by (used for) operating activities	<u>\$ (25,756)</u>
Cash flows from investing activities:	
Interest income	<u>\$ 1,076</u>
Net cash provided by (used for) investing activities	<u>\$ 1,076</u>
Increase (decrease) in cash and cash equivalents	\$ (24,680)
Cash and cash equivalents at beginning of year	<u>232,513</u>
Cash and cash equivalents at end of year	<u><u>\$ 207,833</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (24,306)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
Increase (decrease) in payables and accrued expenses	<u>(1,450)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (25,756)</u></u>

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



# VIRGINIA'S HEARTLAND REGIONAL INDUSTRIAL FACILITY AUTHORITY

## Notes to Financial Statements At June 30, 2017

---

### NOTE 1 - DESCRIPTION OF THE ENTITY:

Virginia's Heartland Regional Industrial Facility Authority (the "Authority") was created in November 2000 pursuant to the provisions of Title 15.2, Chapter 64 of the Code of Virginia, 1950, as amended, the Virginia Regional Industrial Facilities Act. The Authority was created by the adoption of an enabling ordinance by the Counties of Amelia, Buckingham, Charlotte, Cumberland, Lunenburg and Prince Edward, the member localities. The purpose of the Authority is to create a regional industrial park to enhance the economic base for the member localities by developing, owning or operating one or more facilities on a cooperative basis.

The Authority's governing body is composed of two members appointed by each of the member localities. The member localities have neither ongoing financial responsibility nor ongoing financial interest in the Authority. Accordingly, the Authority is a jointly governed organization of the member localities. The Authority is not a component unit of any of the member localities.

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

#### A. Basic Financial Statements:

##### Enterprise Fund Financial Statements

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Authority. The Authority reports all capital assets in the Statement of Net Position and reports depreciation expense - the cost of "using up" capital assets - in the Statement of Revenues, Expenses and Changes in Net Position. The net position of the Authority will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Authority's financial activities in the form of "Management's Discussion and Analysis" (MD&A). The Authority has elected not to present Management's Discussion and Analysis.

#### B. Basis of Accounting:

The Authority recognizes income and expenses on the accrual basis of accounting. The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

#### C. Cash and Cash Equivalents:

The Authority considers all bank accounts and certificates of deposit to be cash and cash equivalents.

# VIRGINIA'S HEARTLAND REGIONAL INDUSTRIAL FACILITY AUTHORITY

## Notes to Financial Statements At June 30, 2017 (continued)

---

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

#### D. Operating and Nonoperating Revenues and Expenses:

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### E. Use of Estimates:

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Future events and circumstances could alter those estimates.

#### F. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

#### G. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund 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.

#### H. 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, 2017.

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, 2017.

## VIRGINIA'S HEARTLAND REGIONAL INDUSTRIAL FACILITY AUTHORITY

### Notes to Financial Statements At June 30, 2017 (continued)

---

#### **NOTE 3 - 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.

The Authority has no formal deposit and investment policy.

#### **NOTE 4 - INVESTMENT IN INDUSTRIAL PARK:**

The Authority's investment in land is the Keysville area industrial site. Costs to develop the site are included in the recorded amounts. Inventory is recorded at cost.

#### **NOTE 5 - REVENUE SHARING AGREEMENT:**

The proceeds from the sale of any property in the project and business personal property tax revenues derived from businesses located within the facility shall be divided among the member localities in proportion to funding participation in the Authority or it may be reinvested in the Authority. This decision is to be made at the sole discretion of the Board of Directors of the Authority.

#### **NOTE 6 - COMMITMENTS AND CONTINGENCIES:**

The Authority is proceeding with the development of the industrial park. The total cost of this project, other than the already completed land acquisition, is approximately \$6,000,000. The project is funded through grants from the Virginia Department of Environmental Quality, the Virginia Department of Housing and Community Development, the Virginia Department of Transportation, the Tobacco Indemnification and Community Revitalization Commission and the Town of Keysville. As of June 30, 2017, the Authority has expended approximately \$3.7 million for the construction of the industrial park.

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

---

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

## 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  
Virginia's Heartland Regional Industrial Facility Authority  
Charlotte Court House, 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 Virginia's Heartland Regional Industrial Facility Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 9, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia's Heartland Regional Industrial Facility 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia's Heartland Regional Industrial Facility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia's Heartland Regional Industrial Facility Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia's Heartland Regional Industrial Facility 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*.

## 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, Turner, Co. Associates*  
Charlottesville, Virginia  
January 9, 2018