INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA
FINANCIAL REPORT
For the Year Ended June 30, 2019

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

CPAs | CONSULTANTS

Independent Auditors' Report

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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2019, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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 November 21, 2019, 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, Farmer, Cox Associates

Blacksburg, Virginia
November 21, 2019

Basic Financial Statements

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA
STATEMENT OF NET POSITION
AT JUNE 30, 2019

Assets:		
Current Assets:		
Cash and cash equivalents	$	703,295
Notes receivable, current portion		14,813
Total Current Assets	$	718,108
Noncurrent Assets:		
Notes receivable, noncurrent portion		62,241
Capital Assets:		
Land	$	3,604,636
Construction in Progress		15,578,727
Depreciable assets, (net of accumulated depreciation)		6,845,092
Total Capital Assets	$	26,028,455
Total Noncurrent Assets	$	26,090,696
Total Assets	$	26,808,804
Liabilities:		
Current Liabilities:		
Accounts payable	$	30,381
Unearned revenue		3,000
Loan payable, current portion		19,589
Total Current Liabilities	$	52,970
Noncurrent Liabilities:		
Loan payable		2,865,292
Total Liabilities	$	2,918,262
Net Position:		
Net investment in capital assets	$	23,143,574
Unrestricted		746,968
Total Net Position	$	23,890,542

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, 2019

Operating Revenues:		
Rent revenue	$	370,424
Grant revenue		133,286
Other revenue		11,111
Total Operating Revenues	$	514,821
Operating Expenses:		
Depreciation	$	236,371
Economic development payments		125,000
Other expenses		6,600
Rent		406,041
Travel		12,184
Professional fees		7,590
Bad debt expense		85,000
Grant funds returned to State		75,000
Total Operating Expenses	$	953,786
Operating Income (Loss)	$	(438,965)
Nonoperating Revenues (Expenses):		
Interest expense	$	(9,553)
Income (loss) before capital contributions	$	(448,518)
CAPITAL CONTRIBUTIONS:		
Contributions from Tazewell County	$	422,351
Change in Net Position	$	(26,167)
Net Position, Beginning of Year		23,916,709
Net Position, End of Year	$	23,890,542

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, 2019

Cash flows from operating activities:		
Cash received from grant revenue	$	133,286
Cash received from rent revenue		373,424
Cash received from other revenues		12,674
Cash payments for operating expenses		(626,027)
Net cash provided by (used for) operating activities	$	(106,643)
Cash flows from capital and related financing activities:		
Proceeds from issuance of loans payable		630,417
Principal payments on loans payable		(15,849)
Interest payments on loans payable		(9,553)
Payments for property and construction		(544,571)
Contributions from Tazewell County		176,281
Net cash provided by (used for) capital and related financing activities	$	236,725
Cash flows from noncapital financing activities:		
Issuance of loans receivable	$	(77,054)
Net increase (decrease) in cash	$	53,028
Cash and cash equivalents, at beginning of year		650,267
Cash and cash equivalents, at end of year	$	703,295
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	$	(438,965)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation		236,371
Bad debt expense		85,000
Changes in operating assets and liabilities		
Interest receivable		1,563
Accounts payable		6,388
Unearned revenue		3,000
Net cash provided by (used for) operating activities	$	(106,643)
Noncash investing, capital and financing activities:		
Contribution of capital assets from Tazewell County	$	246,070

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

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.

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, 2019.

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, 2019.

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.

Net Position Flow Assumption

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

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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

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:

Assets	Years
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.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS: (continued)

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). The Authority does not have an investment policy and had no investments at June 30, 2019.

NOTE 4 - NOTES RECEIVABLE:

At June 30, 2019, the Authority had the following notes receivable outstanding:

Description		Amount
$10,000 note receivable with Heintzmann Corporation issued December 4, 2015, 0% interest with five equal annual payments of $2,000 beginning on January 1, 2019.	$	10,000
$75,000 note receivable with Price Land Holdings, Inc. issued February 1, 2018, 5% interest with three equal annual payments of $25,000 beginning on February 1, 2019.		75,000
$45,000 note receivable with The Cafeteria, LLC issued April 17, 2019, 2% interest with payments of $778.75 per month beginning on March 2, 2020.		45,000
$25,000 note receivable with Pocahontas Off-Road, LLC issued March 22, 2019, 10% interest with payments of $423.73 per month beginning on October 1, 2019.		21,145
$20,000 note receivable with Trailhead issued November 14, 2018, 3% interest with eleven monthly installments of $1,818.18 beginning Februrary 1, 2019.		10,909
Total Notes Receivable	$	162,054

The collectability of certain loans is uncertain as of June 30, 2019 and, therefore, an allowance of $85,000 has been recorded for financial reporting purposes.

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, 2019:

	Beginning Balance	Issuances	Retirements	Ending Balance
Direct Borrowings and Placements:				
Bridge Loan - VCEDA	$ 2,270,313	$ 274,015	$ -	$ 2,544,328
National Bank Loan	-	356,402	(15,849)	340,553
Total	$ 2,270,313	$ 630,417	$ (15,849)	$ 2,884,881

Details of long-term obligations:

	Balance at June 30, 2019	Amount Due Within One Year
Direct Borrowings and Placements		
Loans Payable		
$2,739,700 Loan Payable to VCEDA issued on April 27, 2017, principal and interest are due April 27, 2027 in one lump sum balloon payment, with interest payable at 0% per annum. The loan is still in the draw down phase at June 30, 2019.	$ 2,544,328	$ -
$362,000 Loan Payable to National Bank issued on August 3, 2018, principal and interest are due August 3, 2033 in monthly payments of $2,540.15, with interest payable at 3.23% per annum.	340,553	19,589
Total loans payable	$ 2,884,881	$ 19,589

The 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.

NOTE 5 – LONG-TERM OBLIGATIONS:

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

	Direct Borrowings and Placements			
Year Ending	VCEDA Loan Payable		National Bank Loan Payable	
June 30	Principal	Interest	Principal	Interest
2020	$ -	$ -	$ 19,589	$ 10,892
2021	-	-	20,232	10,250
2022	-	-	20,895	9,587
2023	-	-	21,580	8,902
2024	-	-	22,287	8,195
2025-2029	2,544,328	-	122,888	29,522
2030-2034	-	-	113,082	8,326
Totals	$ 2,544,328	$ -	$ 340,553	$ 85,674

NOTE 6 – CAPITAL ASSETS:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 3,604,636	$ -	$ -	$ 3,604,636
Construction in Progress	15,046,819	531,908	-	15,578,727
Total capital assets not being depreciated	$ 18,651,455	$ 531,908	$ -	$ 19,183,363
Capital assets, being depreciated:				
Buildings	$ 929,684	$ -	$ -	$ 929,684
Equipment	29,402	-	-	29,402
Leasehold improvements	9,327,407	-	-	9,327,407
Total capital assets being depreciated	$ 10,286,493	$ -	$ -	$ 10,286,493
Accumulated depreciation:				
Buildings	$ (838,549)	$ (2,319)	$ -	$ (840,868)
Equipment	(29,402)	-	-	(29,402)
Leasehold improvements	(2,337,079)	(234,052)	-	(2,571,131)
Total accumulated depreciation	$ (3,205,030)	$ (236,371)	$ -	$ (3,441,401)
Total capital assets being depreciated, net	$ 7,081,463	$ (236,371)	$ -	$ 6,845,092
Capital assets, net	$ 25,732,918	$ 295,537	$ -	$ 26,028,455

Depreciation expense for the year amounted to $236,371.

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, 2019, the Authority had no pending litigation to report.

NOTE 8 – ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

NOTE 9 – UPCOMING PRONOUNCEMENTS:

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 December 15, 2019.

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, 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, 2020.

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

RFC CPAs | CONSULTANTS

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 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) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 21, 2019.

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) 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 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 2019-001 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 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*.

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, Farmer, Cox Associates

Blacksburg, Virginia
November 21, 2019

Tazewell County Industrial Development Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Findings and Responses
For the Year Ended June 30, 2019

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

2019-001

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 - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

2018-001

This finding is repeated in the current year as 2019-001.