

**INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEVELL COUNTY, VIRGINIA
A COMPONENT UNIT OF TAZEVELL COUNTY, VIRGINIA
FINANCIAL REPORT
For the Year Ended June 30, 2021**

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA
TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report	1-2
Basic Financial Statements:	
Exhibit 1: Statement of Net Position.....	3
Exhibit 2: Statement of Revenues, Expenses, and Changes in Net Position	4
Exhibit 3: Statement of Cash Flows	5
Notes to Financial Statements	6-14

COMPLIANCE SECTION

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>	15-16
Schedule of Findings and Responses	17
Schedule of Prior Audit Findings	18

FINANCIAL SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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, 2021, 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, 2021, 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 9 to the financial statements, in 2021, the Authority restated beginning balances to reflect the correction of a reporting 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 December 3, 2021, 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
December 3, 2021

Basic Financial Statements

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
A COMPONENT UNIT OF TAZEWELL COUNTY, VIRGINIA
STATEMENT OF NET POSITION
AT JUNE 30, 2021

Assets:

Current Assets:

Cash and cash equivalents	\$ 963,884
Notes receivable - net of allowance, current portion	14,430
Total Current Assets	<u>\$ 978,314</u>

Noncurrent Assets:

Notes receivable - net of allowance, noncurrent portion	\$ 703,815
Assets held for sale	2,564,058
Total Other Assets	<u>\$ 3,267,873</u>

Capital Assets:

Non-depreciable assets	\$ 16,344,262
Depreciable asset - net of accumulated depreciation	6,371,704
Total Capital Assets	<u>\$ 22,715,966</u>
Total Noncurrent Assets	<u>\$ 25,983,839</u>

Total Assets	<u>\$ 26,962,153</u>
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Liabilities:

Current Liabilities:

Accounts payable	\$ 33,502
Unearned revenue	37,500
Due to the County	173,456
Due to VCEDA	100,000
Loans payable, current portion	71,429
Total Current Liabilities	<u>\$ 415,887</u>

Noncurrent Liabilities:

Loans payable, noncurrent portion	<u>\$ 2,985,365</u>
Total Liabilities	<u>\$ 3,401,252</u>

Net Position:

Net investment in capital assets	\$ 20,093,696
Unrestricted	3,467,205
Total Net Position	<u>\$ 23,560,901</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues:	
Rent revenue	\$ 375,400
Other revenue	<u>11,986</u>
Total Operating Revenues	<u>\$ 387,386</u>
Operating Expenses:	
Depreciation	\$ 235,134
Travel	1,511
Advertising	8,000
Utilities	73,849
Economic Development payments	1,401,272
Other expenses	3,974
Insurance	39,299
Professional fees	27,464
Rent	260,876
Repairs and maintenance	<u>97,201</u>
Total Operating Expenses	<u>\$ 2,148,580</u>
Operating Income (Loss)	<u>\$ (1,761,194)</u>
Nonoperating Revenues (Expenses):	
Contributions from Tazewell County	\$ 1,177,014
Interest expense	<u>(16,004)</u>
Total nonoperating revenues (expenses)	<u>\$ 1,161,010</u>
Change in Net Position	\$ (600,184)
Net Position, Beginning of Year	<u>24,161,085</u>
Net Position, End of Year	<u><u>\$ 23,560,901</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWEEL COUNTY, VIRGINIA
A COMPONENT UNIT OF TAZEWEEL COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Cash received from rent revenue	\$ 409,900
Cash received from other revenues	11,986
Cash payments for operating expenses	(1,778,569)
Net cash provided by (used for) operating activities	<u>\$ (1,356,683)</u>
Cash flows from capital and related financing activities:	
Principal payments on loans payable	\$ (13,524)
Interest payments on loans payable	(16,004)
Payments for property and construction	(264,737)
Net cash provided by (used for) capital and related financing activities	<u>\$ (294,265)</u>
Cash flows from noncapital financing activities:	
Payments on loans receivable	\$ 335,613
Proceeds from issuance of loans payable	77,942
Principal payments on loans payable	(65,476)
Contributions from Tazewell County	1,600,846
Net cash provided by (used for) noncapital financing activities	<u>\$ 1,948,925</u>
Net increase (decrease) in cash	\$ 297,977
Cash and cash equivalents, at beginning of year	<u>665,907</u>
Cash and cash equivalents, at end of year	<u><u>\$ 963,884</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$ (1,761,194)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	235,134
Forgiveness of notes receivable	114,172
Changes in operating assets and liabilities	
Accounts payable	\$ 20,705
Unearned revenue	34,500
Net cash provided by (used for) operating activities	<u><u>\$ (1,356,683)</u></u>
Noncash investing, capital and financing activities:	
Contribution of capital assets to Tazewell County	\$ 556,154
Transfer of debt associated with capital assets transferred to Tazewell County	305,778
Forgiveness of notes receivable	114,172

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, 2021

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, 2021

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, 2021.

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, 2021.

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 TAZEWell COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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, and short-term investments with a maturity date within three months of the date acquired by the Authority. 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 TAZEWELL COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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, 2021.

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INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 4 - NOTES RECEIVABLE:

At June 30, 2021, the Authority had the following notes receivable outstanding:

Borrower	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance at June 30
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	31,500
Pocahontas Off-Road, LLC (A)	10.00%	3/22/2019	2025	25,000	17,221
Pyott Boone	0.00%	7/1/2015	2024	600,000	235,000
Clinch River Forest Products, Inc.	0.00%	5/15/2015	2027	500,000	434,524
					<u>\$ 793,245</u>

The collectability of certain loans is uncertain as of June 30, 2021 and, therefore, an allowance of \$75,000 has been recorded for financial reporting purposes.

During the year, the County provided CRF funding totaling \$99,400 to the Authority which was utilized to convert loans receivable outstanding as of June 30, 2020 to grants. Additionally, the County provided \$14,772 that was used to forgive 10 months of principal payments for loans receivable that met the Authority's loan forgiveness program requirements.

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, 2021:

	Beginning Balance, as restated	Issuances	Retirements	Ending Balance
Direct Borrowings and Placements:				
Loans payable	<u>\$ 3,463,630</u>	<u>\$ 77,942</u>	<u>\$ (484,778)</u>	<u>\$ 3,056,794</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

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 (1)	0.00%	4/27/2017	2027	\$ 2,739,700	\$ 2,544,328	\$ -
VCEDA (2)	0.00%	5/15/2020	2028	500,000	434,524	71,429
Project Claw - VCEDA (3)	1.625%	3/4/2021	2037	400,000	77,942	-
					<u>\$ 3,056,794</u>	<u>\$ 71,429</u>

- (1) 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, the lender may declare the entire unpaid principal and interest on the issuance as due and payable.
- (2) 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.
- (3) Collateralized by the deed and trust on the underlying property.

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
2022	\$ 71,429	\$ -
2023	71,429	-
2024	71,429	-
2025	71,429	-
2026	71,429	-
2027-2028	2,621,707	-
Totals	<u>\$ 2,978,852</u>	<u>\$ -</u>

The Project Claw loan is still in the drawdown phase and payments do not begin until April 4, 2022, therefore, amortization is not included in the above schedule.

The Authority had conduit debt obligations of \$696,206 for an issuance related to building upgrades. The Authority has no obligation for the debt beyond the resources provided by the loans.

The Authority has a line of credit (LOC) for up to \$2,500,000 with an interest rate of 3.494% and a final maturity of October 1, 2022. There was no activity on the (LOC) during fiscal year ended June 30, 2021 and no balance outstanding as of that date.

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEVELL COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 6 - CAPITAL ASSETS:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 16,079,525	\$ -	\$ -	\$ 16,079,525
Construction in Progress	-	264,737	-	264,737
Total capital assets not being depreciated	\$ 16,079,525	\$ 264,737	\$ -	\$ 16,344,262
Capital assets, being depreciated:				
Buildings	\$ 1,491,571	\$ -	\$ (561,887)	\$ 929,684
Equipment	29,402	-	-	29,402
Leasehold improvements	9,327,407	-	-	9,327,407
Total capital assets being depreciated	\$ 10,848,380	\$ -	\$ (561,887)	\$ 10,286,493
Accumulated depreciation:				
Buildings	\$ (850,803)	\$ (441)	\$ 5,733	\$ (845,511)
Equipment	(29,402)	-	-	(29,402)
Leasehold improvements	(2,805,183)	(234,693)	-	(3,039,876)
Total accumulated depreciation	\$ (3,685,388)	\$ (235,134)	\$ 5,733	\$ (3,914,789)
Total capital assets being depreciated, net	\$ 7,162,992	\$ (235,134)	\$ (556,154)	\$ 6,371,704
Capital assets, net	\$ 23,242,517	\$ 29,603	\$ (556,154)	\$ 22,715,966

Depreciation expense for the year amounted to \$235,134.

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, 2021, the Authority had no pending litigation to report.

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 8 - 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 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. 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.

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF TAZEWELL COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

NOTE 8 - UPCOMING PRONOUNCEMENTS: (continued)

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 9 - RESTATEMENT:

The financial statements have been restated to correct loans payable and related notes receivable balances. In fiscal year 2020, loans payable and notes receivable were overstated by \$804,827. The correction had no impact on net position.

NOTE 10 - COVID-19 PANDEMIC FUNDING AND SUBSEQUENT EVENTS:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Authority, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, loan forgiveness and grants to business programs. Relief and assistance has been received through various programs. Management believes the Authority is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

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***

**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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 3, 2021.

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 2021-001 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, Farmer, Cox, Associates

Blacksburg, Virginia
December 3, 2021

Tazewell County Industrial Development Authority
(A Component Unit of Tazewell County, Virginia)
Schedule of Findings and Responses
For the Year Ended June 30, 2021

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

2021-001

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.
Recommendation:	Management should try to further segregate duties amongst current staff and staff of the County, as available, to help alleviate risk created by improper segregation of duties.
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.

Tazewell County Industrial Development Authority
(A Component Unit of Tazewell County, Virginia)
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

2020-001

Condition: Currently the Authority lacks a proper segregation of duties over the accounts payable and collection functions.

Recommendation: Management should continue working with the County to utilize staff to the greatest extent possible to help mitigate the risk.

Current Status: Finding 2020-001 was repeated in the current year as 2021-001.