
INDUSTRIAL DEVELOPMENT AUTHORITY
OF CHARLOTTE COUNTY, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

INDUSTRIAL DEVELOPMENT AUTHORITY
OF CHARLOTTE COUNTY, VIRGINIA

MEMBERS

Ralph L. Moore, Chairman

W. Murrie Bates, Jr., Vice-Chairman

Jimmy Carwile

R. Larry Dunn

C.I. Hall

Kenny Redmond

Peggy Wilson

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Board of Directors
Industrial Development Authority of Charlotte County, Virginia
Charlotte Court House, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Charlotte County, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Charlotte County, Virginia'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 Industrial Development Authority of Charlotte County, Virginia, as of June 30, 2016, 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 November 18, 2016, on our consideration of Industrial Development Authority of Charlotte County, Virginia'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 Industrial Development Authority of Charlotte County, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 18, 2016

- Basic Financial Statements -

INDUSTRIAL DEVELOPMENT AUTHORITY
OF CHARLOTTE COUNTY, VIRGINIA

Statement of Net Position
At June 30, 2016

Assets	
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Current Assets:	
Cash and cash equivalents	\$ 519,119
Inventory for resale	3,336,395
Note receivable	<u>150,000</u>
Total assets	\$ <u><u>4,005,514</u></u>
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Net Position	
Unrestricted	\$ <u>4,005,514</u>
Total net position	\$ <u><u>4,005,514</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY
OF CHARLOTTE COUNTY, VIRGINIA

Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2016

Operating expenses:	
Miscellaneous	\$ 101
Professional services	7,241
Dues and subscriptions	50
Travel & entertainment	386
Insurance	<u>3,951</u>
Total operating expenses	\$ <u>11,729</u>
Operating income (loss)	\$ <u>(11,729)</u>
Nonoperating revenues (expenses):	
Interest and investment income	\$ 58
Repayment from contactor	56,490
Refund of grant funds	<u>(75,350)</u>
Total nonoperating revenues (expenses)	\$ <u>(18,802)</u>
Income (loss) before grants and contributions	\$ <u>(30,531)</u>
Capital grants and (contributions):	
Revenue from the Commonwealth	\$ 558
Contributions to industry	<u>(32,006)</u>
Total capital grants and contributions	\$ <u>(31,448)</u>
Change in net position	\$ (61,979)
Net position at beginning of year	<u>4,067,493</u>
Net position at end of year	\$ <u><u>4,005,514</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY
OF CHARLOTTE COUNTY, VIRGINIA

Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Purchase of inventories	\$ (70,300)
Repayments from vendors	189,595
Payments to vendors and governments	(178,483)
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Net cash provided by (used for) operating activities	\$ (59,188)
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Cash flows from capital and related financing activities:	
Capital contributions from Commonwealth	\$ 558
Contributions to industry	(32,006)
Refunds of grants	(75,350)
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Net cash provided by (used for) capital and related financing activities	\$ (106,798)
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Cash flows from investing activities:	
Interest received	\$ 58
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Net cash provided by (used for) investing activities	\$ 58
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Increase (decrease) in cash and cash equivalents	\$ (165,928)
Cash and cash equivalents at beginning of year	685,047
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Cash and cash equivalents at end of year	\$ 519,119
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Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (11,729)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Repayment from vendors	56,490
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	133,105
(Increase) decrease in note receivable	(55,855)
(Increase) decrease in inventory for resale	(70,300)
Increase (decrease) in accounts payable	(110,899)
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Net cash provided by (used for) operating activities	\$ (59,188)
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The accompanying notes to financial statements are an integral part of these financial statements.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CHARLOTTE COUNTY, VIRGINIA

Notes to Financial Statements At June 30, 2016

NOTE 1 - NATURE OF BUSINESS:

Industrial Development Authority of Charlotte County, Virginia was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of Charlotte, Virginia pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.2-4900, et seq., of the Code of Virginia 1950, as amended). The Authority is governed by seven directors appointed by the Board of Supervisors. 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 which facilities are constructed. Collection of revenue bonds is 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 collateralized by a deed of trust on those facilities.

NOTE 2 - 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 Change in Net Position. The net position of the Authority is 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 government's financial activities in the form of "management's discussion and analysis" (MD&A). The Authority has elected not to present the Management's Discussion and Analysis.

B. Pass-through Financing of Leases and Installment Sales:

The principal activities of the Authority represent pass-through lease or installment sales. These agreements provide for periodic payments in amounts which are equal to the principal and interest payments due to project bondholders.

The Authority has assigned all rights to the payments to the trustees, agents or the holders of the bonds, and lessees or purchasers have assumed responsibility for all operating costs such as utilities, repairs, and property taxes. In such cases, the Authority neither receives nor disburses funds.

Although title to these properties may rest with the Authority, bargain purchase options or other lease provisions eliminate any equity interest that would otherwise be retained with the transactions. Deeds of trust collateralize outstanding bond obligations and title will pass to the lessee or purchaser when the bonds are fully paid.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CHARLOTTE COUNTY, VIRGINIA

Notes to Financial Statements At June 30, 2016 (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES: (continued)

B. Pass-through Financing of Leases and Installment Sales: (continued)

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets, liabilities, and rental income or interest expense in its financial statements for the pass-through lease or installment sales.

C. 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.

D. Cash and Cash Equivalents:

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three-months or less from the date of acquisition.

E. Inventory for Resale:

Land and improvements held for sale are recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, and estimated fair value at the date of contribution, if contributed. Subsequent improvements are added to the land and improvements held for sale.

F. Use of Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

G. 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.

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. The 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, 2016.

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, 2016.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CHARLOTTE COUNTY, VIRGINIA

Notes to Financial Statements At June 30, 2016 (continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES: (continued)

I. 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 represent capital assets, reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

J. 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 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.

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.

- 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
Industrial Development Authority of Charlotte County, Virginia
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 Industrial Development Authority of Charlotte County, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Charlotte County, Virginia's basic financial statements and have issued our report thereon dated November 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Charlotte County, Virginia'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 Industrial Development Authority of Charlotte County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Charlotte County, Virginia'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Authority of Charlotte County, Virginia'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016:001.

Authority's Response to Findings

Industrial Development Authority of Charlotte County, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Industrial Development Authority of Charlotte County, Virginia'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.



Charlottesville, Virginia
November 18, 2016

INDUSTRIAL DEVELOPMENT AUTHORITY OF CHARLOTTE COUNTY, VIRGINIA

Schedule of Findings and Responses For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	Yes

Section II - Financial Statement Findings

2016:001

Condition:

The Authority did not receive Financial Disclosure Statements from all appointed Board Members.

Criteria:

The Code of Virginia, § 2.2-3115, requires the governing body of local boards, commissions and councils to file Financial Disclosure Statements.

Cause of Condition:

The Authority did not follow-up or require all Members to comply with the requirement to file Financial Disclosure Statements.

Effect of Condition:

Violation of the Code of Virginia, § 2.2-3115.

Recommendation:

The Authority should establish procedures for requesting the required forms from each Board Member.

Management's response:

The Authority will request Financial Disclosure Statements from those Board Members not in compliance.