

*Industrial Development Authority  
of the Town of South Hill, Virginia*

*Comprehensive Annual Financial Report*

*Years Ended June 30, 2018 and 2017*



*Creedle, Jones  
& Alga, P. C.  
Certified Public Accountants*

**Industrial Development Authority  
of the Town of South Hill, Virginia**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Industrial Development Authority of the  
Town of South Hill, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Industrial Development Authority of the Town of South Hill, Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Industrial Development Authority of the Town of South Hill, 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions 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 *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 auditor's 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Industrial Development Authority of the Town of South Hill, Virginia, as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-2 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of the Industrial Development Authority of the Town of South Hill, 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 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 Industrial Development Authority of the Town of South Hill, Virginia'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 Industrial Development Authority of the Town of South Hill, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

Creedle Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
September 26, 2018

**Industrial Development Authority of the  
Town of South Hill, Virginia**

Management's Discussion and Analysis

As of June 30, 2018

Our discussion and analysis of the Industrial Development Authority of the Town of South Hill, Virginia's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read this information in conjunction with Industrial Development Authority of the Town of South Hill, Virginia's basic financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Industrial Development Authority of the Town of South Hill, Virginia (the "Authority") presents three basic financial statements. These are: (1) Comparative Statement of Net Position; (2) Comparative Statement of Revenues, Expenses, and Changes in Net Position; and (3) Comparative Statement of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Comparative Statement of Net Position, which reflects the Authority's assets in relation to its debt to creditors. The excess of our assets over liabilities is our equity or net position.

Information regarding the results of our operation during the year is reported in the Comparative Statement of Revenues, Expenses, and Changes in Net Position. These statements show how much our overall net position increased or decreased during the year as a result of our operations and for other reasons.

Our Comparative Statement of Cash Flows discloses the flow of cash resources into and out of the Authority during the year and how we applied those funds.

**FINANCIAL SUMMARY**

**Financial Position.** A summary of the Authority's Comparative Statement of Net Position for 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current and other assets	\$ 109,841	\$ 121,372
Capital assets (net)	<u>2,088,165</u>	<u>2,088,165</u>
 Total Assets	 <u>\$2,198,006</u>	 <u>\$2,209,537</u>
 <b>Total Liabilities</b>	 \$ -	 \$ -
 <b>Net Position</b>		
Net investment in capital assets	2,088,165	2,088,165
Unrestricted	<u>109,841</u>	<u>121,372</u>
 Total Liabilities and Net Position	 <u>\$2,198,006</u>	 <u>\$2,209,537</u>

The financial position of the Authority decreased in 2018. Assets decreased by .53%.

**Change in Net Position.** A summary of the Authority's Condensed Comparative Statement of Revenues, Expenses, and Changes in Net Position for 2018 and 2017 is presented below:

**Condensed Comparative Statement of Revenues,  
Expenses, and Changes in Net Position**

	<u>2018</u>	<u>2017</u>
Operating Income	\$ -	\$ 219
Operating Expenses	<u>11,791</u>	<u>13,421</u>
Net Operating Loss	<b>(11,791)</b>	(13,202)
Non-Operating Income	<u>260</u>	<u>3,482</u>
Changes in Net Position	<b><u>\$ (11,531)</u></b>	<b><u>\$ (9,720)</u></b>

During the year, the Authority had a net operating loss of \$11,791. The Authority had non-operating interest income of \$260.

Net position decreased \$11,531 in 2018.

**Cash Flows.** A summary of the Authority's Condensed Comparative Statement of Cash Flows for 2018 and 2017 is presented below:

**Condensed Comparative Statement of Cash Flows**

	<u>2018</u>	<u>2017</u>
<b>Cash Provided by (Used in)</b>		
Operating activities	\$ (11,791)	\$ (13,202)
Capital and related financing activities	-	(1,842)
Investing activities	<u>260</u>	<u>3,482</u>
Net Decrease in Cash	<b><u>\$ (11,531)</u></b>	<b><u>\$ (11,562)</u></b>

Cash flows from operating activities consist primarily of administrative expenses, creating a negative operating cash flow of \$11,791.

Cash flows from investing activities were \$260.

During the year ended June 30, 2018, there was a decrease of \$11,531 in cash.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to S. E. Watkins, Jr., Chairman, Industrial Development Authority of the Town of South Hill, Virginia, 133 North Mecklenburg Avenue, South Hill, Virginia 23970, telephone 434-447-3544.

# **BASIC FINANCIAL STATEMENTS**

**Industrial Development Authority  
of the Town of South Hill, Virginia**

Comparative Statement of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 109,841	\$ 121,372
<b>Noncurrent Assets</b>		
<b>Capital Assets</b>		
Land and property - net of accumulated depreciation	<u>2,088,165</u>	<u>2,088,165</u>
Total Noncurrent Assets	<u>2,088,165</u>	<u>2,088,165</u>
Total Assets	<u>\$ 2,198,006</u>	<u>\$ 2,209,537</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Position</b>		
Net investment in capital assets	2,088,165	2,088,165
Unrestricted	<u>109,841</u>	<u>121,372</u>
Total Net Position	<u>2,198,006</u>	<u>2,209,537</u>
Total Liabilities and Net Position	<u>\$ 2,198,006</u>	<u>\$ 2,209,537</u>

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

**Industrial Development Authority  
of the Town of South Hill, Virginia**

Comparative Statement of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>	<u>\$ -</u>	<u>\$ 219</u>
Total Operating Revenues	-	219
<b>Operating Expenses</b>		
Insurance	3,622	4,222
Legal and professional fees	7,700	8,025
Meetings	469	227
Miscellaneous	<u>-</u>	<u>947</u>
Total Operating Expenses	<u>11,791</u>	<u>13,421</u>
Operating Loss	(11,791)	(13,202)
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	<u>260</u>	<u>3,482</u>
Net Non-Operating Revenues (Expenses)	<u>260</u>	<u>3,482</u>
Change in Net Position	(11,531)	(9,720)
Net Position - Beginning of Year	<u>2,209,537</u>	<u>2,219,257</u>
Net Position - End of Year	<u>\$ 2,198,006</u>	<u>\$ 2,209,537</u>

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

**Industrial Development Authority  
of the Town of South Hill, Virginia**

Comparative Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Payments to suppliers	\$ <u>(11,791)</u>	\$ <u>(13,202)</u>
Net Cash Used in Operating Activities	<b>(11,791)</b>	(13,202)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Accounts payable	<u>-</u>	<u>(1,842)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	(1,842)
<b>Cash Flows from Investing Activities</b>		
Interest income	<u>260</u>	<u>3,482</u>
Net Cash Provided by Investing Activities	<u>260</u>	<u>3,482</u>
Net Decrease in Cash and Cash Equivalents	<b>(11,531)</b>	(11,562)
Cash and Cash Equivalents - Beginning of Year	<u>121,372</u>	<u>132,934</u>
Cash and Cash Equivalents - End of Year	<u>\$ 109,841</u>	<u>\$ 121,372</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ <u>(11,791)</u>	\$ <u>(13,202)</u>
Net Cash Used in Operating Activities	<u>\$ (11,791)</u>	<u>\$ (13,202)</u>

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

## Industrial Development Authority of the Town of South Hill, Virginia

Notes to the Financial Statements

Year Ended June 30, 2018

### 1 Organization, Description of the Entity and Its Activities

The Industrial Development Authority of the Town of South Hill, Virginia was organized on May 6, 1968 in accordance with Chapter 33 of Title 15.1 of the Code of Virginia of 1950, as amended (the "Act"). It was recreated on March 10, 1980 as the Industrial Development Authority of the Town of South Hill, Virginia (the "Authority"). The purpose of the Authority shall be to acquire, own, lease, and dispose of properties to enable it to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in the Commonwealth of Virginia and to further the use of its agricultural products and natural resources.

The Authority is a separate and distinct entity from the Town of South Hill, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia and not subject to taxation.

A seven-member board appointed by the Town Council of the Town of South Hill, Virginia governs the Authority. The directors are to serve staggered terms of four years each.

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 enterprise for which 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.

### 2 Significant Accounting Policies

#### *Financial Statement Presentation*

The financial statements of the Industrial Development Authority of the Town of South Hill, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Authority's accounting policies are described below:

#### *Net Investment in Direct Financial Leases*

The Authority may acquire and improve properties and retain title to them. Where transfer of title at the completion of a lease to a tenant is not reasonably assured by bargain purchase options or other lease provisions, the Authority accounts for activities in its role as lessor as either capital leases or operating leases. The Authority does not have any investment in direct financing leases.

### ***Basis of Accounting***

The Authority's accounting system is organized and operated on a fund basis. A fund records cash and other financial resources, together with all related liabilities, obligations, reserves, and residual equity, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Proprietary Funds account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. The Authority utilizes one type of Proprietary Fund with that being an Enterprise Fund.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Authority is that the cost of providing services to the general public be financed or recovered through user charges. In the Authority's operation, costs are represented by interest expense and financing cost, while user charges consist of interest income earned on receivables.

The Authority utilizes the accrual basis of accounting under which revenues are recorded in the period earned and expenses are recorded when the related liabilities are incurred.

### ***Use of Estimates***

The preparation of 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 those estimates.

## **3 Cash Equivalents**

The Authority considers all investments purchased with a maturity of three months or less to be cash equivalents.

*Deposits.* All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

## 4 Capital Assets

The schedule below shows the breakdown of capital assets by category at June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and improvements	\$ 2,079,197	\$ -	\$ -	\$ 2,079,197
Other	<u>8,968</u>	<u>-</u>	<u>-</u>	<u>8,968</u>
Total Capital Assets Not Being Depreciated	2,088,165	-	-	2,088,165
<b>Other Capital Assets</b>				
Furniture and fixtures	5,225	-	-	5,225
<b>Less: Accumulated depreciation for</b>				
Furniture and fixtures	<u>5,225</u>	<u>-</u>	<u>-</u>	<u>5,225</u>
Total Accumulated Depreciation	<u>5,225</u>	<u>-</u>	<u>-</u>	<u>5,225</u>
Other Capital Assets, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets	<u>\$ 2,088,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,088,165</u>

Capital assets of the Authority are stated at cost and at the time of acquisition are set up in a comprehensive fixed asset system. Depreciation of the cost of capital assets is provided on a straight-line basis over their estimated useful lives as shown in the table below.

Furniture and fixtures	7-10 years
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## 5 Litigation

At June 30, 2018, there were no matters of litigation involving the Authority that would have a material affect on the financial position of the Authority.

## 6 Conduit Debt Obligations

From time to time, the Authority has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the related notes receivable and are payable solely from payments received on them. Neither the Authority, the Town of South Hill, Virginia, the Commonwealth of Virginia, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds and the related notes receivable are not reported on the comparative statement of net position in the accompanying financial statements.

## 7 Risk Management

The Authority's Treasurer is bonded under a surety blanket bond in the amount of \$100,000 for each transaction.

## **8** Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through September 26, 2018.

# COMPLIANCE



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## **INDEPENDENT AUDITOR'S 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 the  
Town of South Hill, 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 *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 the Town of South Hill, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Industrial Development Authority of the Town of South Hill, Virginia's basic financial statements, and have issued our report thereon dated September 26, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Industrial Development Authority of the Town of South Hill, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Authority of the Town of South Hill, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Authority of the Town of South Hill, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Authority of the Town of South Hill, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Creedle, Jones & Alga, P.C.*

Creedle Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
September 26, 2018