

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF PRINCE GEORGE COUNTY, VIRGINIA**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

INDUSTRIAL DEVELOPMENT AUTHORITY OF
PRINCE GEORGE COUNTY, VIRGINIA

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF
INDUSTRIAL DEVELOPMENT AUTHORITY OF PRINCE GEORGE COUNTY
PRINCE GEORGE, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Prince George County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Others Matter

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.

Report on Summarized Comparative Information

We have previously audited Industrial Development Authority of Prince George County's 2016 financial statements, and our report dated September 9, 2016 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of Industrial Development Authority of Prince George County'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 Prince George County's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 2, 2017

Basic Financial Statements

Statement of Net Position

As of June 30, 2017 (With Comparative Totals for the Prior Year)

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 91,795	\$ 101,741
Total assets	<u>\$ 91,795</u>	<u>\$ 101,741</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 4,340	\$ -
Total liabilities	<u>\$ 4,340</u>	<u>\$ -</u>
NET POSITION		
Net Position:		
Unrestricted	\$ 87,455	\$ 101,741
Total liabilities and net position	<u>\$ 91,795</u>	<u>\$ 101,741</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017 (With Comparative Totals for the Prior Year)

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Contribution from County of Prince George	\$ 1,000,000	\$ -
Administrative fees	<u>4,188</u>	<u>4,304</u>
Total operating revenues	\$ <u>1,004,188</u>	\$ <u>4,304</u>
Operating Expenses:		
Professional services	\$ 9,376	\$ 2,600
Economic development	1,000,000	-
Tradeshow	9,329	-
Miscellaneous	<u>402</u>	<u>201</u>
Total operating expenses	\$ <u>1,019,107</u>	\$ <u>2,801</u>
Operating income (loss)	\$ <u>(14,919)</u>	\$ <u>1,503</u>
Nonoperating Income:		
Interest income	\$ <u>633</u>	\$ <u>631</u>
Total nonoperating income	\$ <u>633</u>	\$ <u>631</u>
Change in net position	\$ (14,286)	\$ 2,134
Net position, beginning of year	<u>101,741</u>	<u>99,607</u>
Net position, end of year	\$ <u><u>87,455</u></u>	\$ <u><u>101,741</u></u>

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

Statement of Cash Flows

Year Ended June 30, 2017 (With Comparative Totals for the Prior Year)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from customers and users	\$ 1,004,188	\$ 4,304
Payments for operating activities	<u>(1,014,767)</u>	<u>(2,801)</u>
Net cash provided by (used for) operating activities	\$ <u>(10,579)</u>	\$ <u>1,503</u>
Cash Flows from Investing Activities:		
Interest received	\$ <u>633</u>	\$ <u>631</u>
Increase in cash and cash equivalents	\$ (9,946)	\$ 2,134
Cash and cash equivalents at beginning of year	<u>101,741</u>	<u>99,607</u>
Cash and cash equivalents at end of year	<u><u>\$ 91,795</u></u>	<u><u>\$ 101,741</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF PRINCE GEORGE COUNTY, VIRGINIA

Notes to Financial Statements As of June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

Industrial Development Authority of Prince George, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of Board of Supervisors pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.2-4901 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 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 political subdivision thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed or acquired and are normally collateralized by a deed of trust on those facilities. Collection of revenues pledged to liquidate the bonds are typically assigned to the bond trustee. As of June 30, 2017, the aggregate principal amount payable of these conduit revenue bonds outstanding was \$3,301,877.

B. Determination of the Reporting Entity:

The basic criterion for including organizations within the reporting entity, as set forth in GASB No. 14 is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present Industrial Development Authority of Prince George County, Virginia (the primary government), which is not considered a component unit of Prince George County. Industrial Development Authority of Prince George County, Virginia's financial statements include all operations of Industrial Development Authority of Prince George County, Virginia.

C. Basic Financial Statements:

Enterprise Fund Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only financial statements for Enterprise Funds. For the Authority, the basic financial statements consist of the following:

- a) Statement of Net Position
- b) Statement of Revenues, Expenses, and Changes in Net Position
- c) Statement of Cash Flows
- d) Notes to Financial Statements

Industrial Development Authority of Prince George County, Virginia maintains its accounts on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PRINCE GEORGE COUNTY, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Basic Financial Statements: (Continued)

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from developing real estate for business use. Nonoperating revenues consist of interest income. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

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). Management elected to omit the Management's Discussion and Analysis in these financial statements.

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. 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.

F. Net Position:

Net position is the difference between: a) assets and deferred outflows of resources, and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

G. Net Position Flows Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

H. Bond Maintenance Fees:

Bond maintenance fees are due to the Authority while bonds are outstanding.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PRINCE GEORGE COUNTY, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

NOTE 2—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 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—CONDUIT DEBT OBLIGATIONS:

From time to time, the Authority has issued Industrial 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 property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entities served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 4—RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority has not obtained liability insurance coverage to cover claims if they were to arise. The Authority indicates that there are no current unpaid claims outstanding and therefore estimates that there would be no liability for claims. The Authority has not incurred any costs, nor have they been subject to any claims during the current year.

NOTE 5—LITIGATION:

At June 30, 2017, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable to the Authority.

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 Honorable Members of
Industrial Development Authority of Prince George County, Virginia
Prince George, 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 Prince George County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Prince George County, Virginia's basic financial statements, and have issued our report thereon dated November 2, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Prince George County'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 purposes of expressing an opinion on the effectiveness of Industrial Development Authority of Prince George County's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Prince George County'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 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 Industrial Development Authority of Prince George County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

November 2, 2017