

*INDUSTRIAL
DEVELOPMENT
AUTHORITY OF
DICKENSON COUNTY*



*Audit
June 30, 2018*

**INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

TABLE OF CONTENTS

	<u>PAGE</u>
 <u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i-iv
Organizational Chart	v
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
 BASIC FINANCIAL STATEMENTS:	
Exhibit 1 Statement of Net Position	8
Exhibit 2 Statement of Revenues, Expenses and Changes In Net Position	9
Exhibit 3 Statement of Cash Flows	10
 Notes to Financial Statements	 11-18
 <u>COMPLIANCE SECTION</u>	
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	19-20
 Schedule of Expenditures of Federal Awards	 21
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23

INTRODUCTORY SECTION



Industrial Development Authority of Dickenson County

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Fax: (276) 926-1649
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Board of Directors

Talbert Bolling, Chairman
Allen Compton, Vice Chairman
Danny Lambert, Secretary/Treasurer
Ginger Senter
Andrew Mullins
Teddy Bailey
Larry Yates

Director

Mitzi Sykes
msykes@dickensonva.org
276-393-0210

CAFR - Letter of Transmittal

February 4, 2019

Talbert Bolling, Chairman
Board of Directors
Industrial Development Authority of Dickenson County
P.O. Box 1989
Clintwood, VA 24228

Dear Mr. Bolling:

The Comprehensive Annual Financial Report of the Industrial Development Authority of Dickenson County, Virginia (the IDA), for the fiscal year ended June 30, 2018, is presented to you as required under Section 15.1-167 of the Code of Virginia. This report presents the financial position of the governmental activity and major fund of the IDA and the results of operations for the year then ended.

This report was prepared to conform to the Standards of Financial Reporting as prescribed by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts of the Commonwealth of Virginia.

The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the IDA. We believe the data, as presented, is accurate in all material aspects. That it's presented in a manner designed to fairly set forth the financial position and results of operations of the IDA as measured by the financial activity of its governmental activity and major fund; and that all disclosures necessary to enable the reader to gain the maximum understanding of the IDA's financial affairs have been included.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The accounting policies of the IDA conform to generally accepted accounting principles as applicable to governmental units.

Accounting records for the Industrial Development Authority are maintained on the accrual basis. Under the accrual method of accounting, revenue is recognized when earned and expenses when incurred.

In developing and updating the IDA's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

- "The safeguarding of assets against loss from unauthorized use or disposition; and the reliability of financial records for preparing financial statements and maintaining accountability for assets."

The concept of reasonable assurance recognizes that:

- "The cost of control should not exceed the benefits likely to be derived;
- and the evaluation of costs and benefits requires estimates and judgments by management."

Budgetary control is maintained at the activity level by the purchase orders being approved by the Director or Board prior to purchase. Purchases are not made from the County budget until funds are made available and authorized by the County Administrator or by additional transfer or appropriation by the governing body.

As part of the annual audit, our external auditors review and assess the IDA's systems of internal accounting and financial management controls. We are committed to deriving the maximum benefits from this review process and will continue to actively pursue the implementation of all such recommended policy and procedural changes, where it is practical.

THE REPORTING ENTITY AND ITS SERVICES

Industrial Development Authority of Dickenson County, Virginia, for financial reporting purposes, as a governmental entity, used the general fund for which the IDA has financial accountability. In addition, an organization, that if fiscally dependent on the primary government, should be included in the reporting entity. The financial statements present Industrial Development Authority of Dickenson County, Virginia, which is considered a component unit of Dickenson County (the primary government). The Industrial Development Authority of Dickenson County, Virginia's financial statements include all operations of the Industrial Development Authority of Dickenson County, Virginia.

IDA STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

Dickenson County was formed in 1880 from Russell, Wise, and Buchanan Counties. The district was named for William J. Dickenson, a delegate to the General Assembly, who played a major role in establishing the new county.

The rough mountainous terrain influenced development of the area. The best farmland was located along the streambeds where early settlers located. The first settlements in Dickenson County were Sandlick, Haysi, Holly Creek, (Clintwood), and Nora, all located along streams of the area.

The Board of Director's is a seven-member body, appointed by the Board of Supervisors. The members elect the Chairman of the Board annually. Each member serves a four-year term. This body enacts ordinances, appropriates funds, and establishes policies for the administration of the IDA's services.

Dickenson County's population is 14,782. We have seen our unemployment rate change from 6.6% as of December 2017 to 6.0% as of June 2018. The County is located near the counties of Wise, Buchanan and Russell in Virginia and Letcher and Pike Counties in KY. We are in a mountainous region with no four-lane accessible highways. This lack of transportation system hinders traditional economic development of manufacturing but enhances call centers, e-commerce and tourism opportunities. The IDA continues to work to expand its industrial growth in order to enhance the tax base of Dickenson County, Virginia and to provide jobs for its residents.

MAJOR INITIATIVES

In FY 2017/2018, the IDA continued to seek out new industries to locate in Dickenson County and to work with existing businesses and industries to help them grow. We completed the construction of the new Judicial Center. The IDA

continues to work with the Dickenson County Board of Supervisors and Dickenson County School Board on the Elementary School project. The Red Onion Sewer project is near completion. We began construction on the second floor of the call center building and that will be the home of SAIC. SAIC is a government contract call center and plans to provide up to 100 jobs to the citizens of Dickenson and other neighboring counties. We have continued to work with the Health Wagon and deeded them a tract of land in the Industrial Park. The IDA and the Virginia Coalfield Economic Development Authority (VCEDA) have enhanced their relationship by working to provide access to capital for existing businesses and industries who wish to expand and for new start-up entrepreneur businesses. The IDA became a member of the Regional Industrial Facilities Act better known as RIFA. Other members of the RIFA include the City of Norton, Wise County, Lee County and Scott County. The RIFA was born from the Virginia General Assembly working to establish a vehicle to market the counties of far Southwest Virginia for the purpose of economic development, job creation, and also a desire that the localities within far Southwest Virginia develop a strategy for possible revenue sharing and cost sharing for projects of mutual economic development interests. We continue to market the old school properties and other land owned by the IDA.

FOR THE FUTURE

The County of Dickenson will continue to face challenges over the next several years. The IDA continues to implement its economic development strategic plan. The plan addresses the Industrial Development Authority's primary economic development mission, which is *"to promote a vibrant, diversified, and sustainable economy to enhance the quality of life for the citizens of Dickenson County."*

The Industrial Development Authority devoted extensive thought, analysis and debate to the fiscal needs and realities of Dickenson County for the future. Based on this discussion, the Authority set a list of short-term objectives to be accomplished within two years and long-term objectives to be accomplished within a five-ten year period.

This Economic Development Strategic Plan provides a series of action items that focus on eleven short-term (immediate) major elements:

1. Continue to work with colleges and the Dickenson County School Board to bring programs to the Dickenson Center for Education & Research as well as locate companies in the unfinished spaces.
2. Establish corporate partnerships for land use/financial support/projects of common interest.
3. Develop/improve agency relationships (We continue to work with the Chamber of Commerce, Planning Commission, School Board and the Board of Supervisors to develop a universal strategic plan for the county)
4. Educate/identify possible entrepreneurs.
5. Identify qualifying businesses for the VCEDA SEED Grant fund.
6. Recruit new businesses for the Revolving Loan Fund.
7. Identify potential sites
8. Grow our tourism economy through the SRRA trail system

Finally, the Plan recognizes that for the Industrial Development Authority to reach its primary goal of economic development it must also have a list of long-term goals. The group identified those that could be accomplished within five to ten years. This list identified sixteen objectives and was ranked according to priority. They are:

1. Financial independence (We are continuing to establish a revenue stream to aid in our financial independence)
2. Promote diverse job opportunities (We are working with entrepreneurs to establish businesses which serve the tourism industry and school project; targeted market areas in electronic information technology, energy & education; as well as continuing to seek other industries)
3. Promote retirement facilities/communities (We have not pursued this but should reconsider)
4. Promote recreational opportunities
5. Promote construction of the Coalfield Expressway (Working with Alpha Natural Resources, Pioneer Mining, and VDOT to encourage funding from the General Assembly and Federal Highway Administration)
6. Marketing (Continue to market the county at tradeshowes that pertain to some manufacturing, electronic information technology, energy & education, and backup data centers and market to hotel groups)

7. Plan for housing
8. Plan for retail growth
9. Support the growth of healthcare
10. Encourage infrastructure development to include broadband

TREASURY MANAGEMENT

The IDA carries out a conservative cash management system. Temporary idle funds are invested in interest bearing accounts.

RISK MANAGEMENT

The Industrial Development Authority of Dickenson County, Virginia maintains a practical insurance program through Virginia Association of Counties (VaCorp), which affords adequate protection against loss and includes comprehensive public liability insurance for bodily injury and property damage in amounts approved by their Risk Consultant.

INDEPENDENT AUDIT

Section 15.1-67 of the Code of Virginia (1950, as amended) requires the IDA to have an annual audit of the books of account, financial records, and transactions of the Authority. Larry D. Sturgill, P.C. was selected and approved by the Industrial Development Authority to perform the required audit. The unqualified report of Larry D. Sturgill, P.C. the highest possible result of the audit process, accompanies the financial statements in this report.

ACKNOWLEDGMENTS

The IDA has established and continues to maintain a strong and stable financial position through progressive management of financial operations and through sound accounting and financial reporting practices. Appreciation is expressed to the Members of the Industrial Development Authority of Dickenson County for their interest and support in planning and conducting the financial operations of the IDA in a responsible and progressive manner.

We would like to express our appreciation to each who assisted with the annual audit and preparation of the financial statements.

Respectfully submitted,

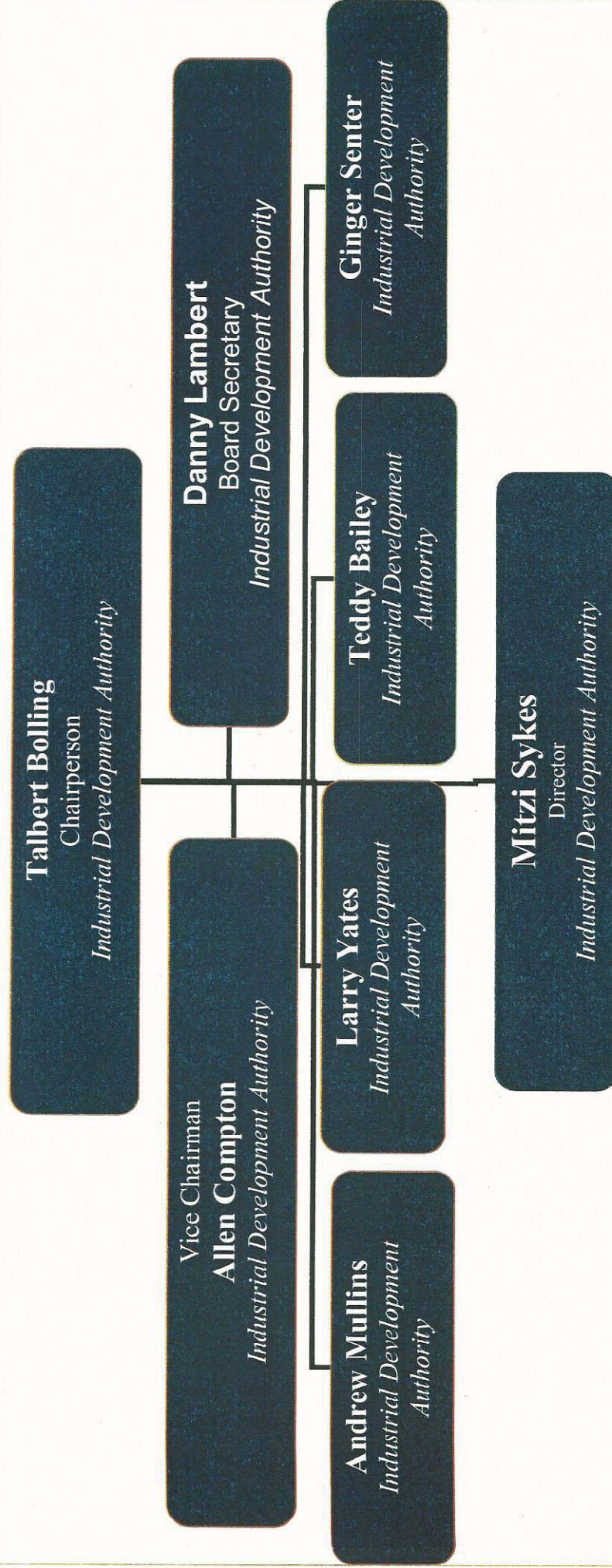


Mitzi Sykes
Director

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA

Organizational Chart

June 30, 2018



LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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INDEPENDENT AUDITORS' REPORT

The Honorable Board Members of the
Industrial Development Authority of
Dickenson County, Virginia
Clintwood, Virginia 24228

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity of the Industrial Developmental Authority of Dickenson County (a component unit of the County of Dickenson, Virginia) as of and for the years ended June 30, 2018 and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audit 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 of 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 controls 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 financial position of the Industrial Developmental Authority, as of June 30, 2018 and June 30, 2017, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 February 04, 2019, on our consideration of the Industrial Development Authority of Dickenson 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 the 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.



Larry D. Sturgill, P.C.
Wise, Virginia
February 04, 2019



Industrial Development Authority of Dickenson County

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Larry Yates

Director

Mitzi Sykes
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276-393-0210

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

This discussion and analysis of the Industrial Development Authority (IDA) of Dickenson County, Virginia's financial performance provides an overview of the IDA's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

A. FINANCIAL HIGHLIGHTS

- The assets of the IDA exceeded its liabilities at the close of the most recent fiscal year by \$8,571,325. Of this amount, \$414,016 may be used to meet the IDA's ongoing obligations to operations and creditors.
- The IDA's total debt increased \$708,330 during the current fiscal year due to loan proceeds of \$1,557,255 from Rural Development for the Judicial Center, and less debt retirements of \$848,925.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are comprised of one Enterprise Fund and consists of four components: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, (3) Cash-Flow Statement, and (4) notes to the financial statements. The financial statements include only the Authority itself. The Authority is considered to be a component unit of the Town of St. Paul, VA.

The *Statement of Net Position* is designed to display financial position of the Authority. The Authority will report all capital assets in the Statement of Net Position and will report depreciation expense- the cost of "using up" capital assets – in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of the Authority will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

C. FINANCIAL ANALYSIS

The IDA's Net Position for the fiscal years ended June 30, 2018 and 2017, totaled \$8,571,325 and \$8,623,365, respectively.

Summary of Net Position

The balance of unassigned net position for fiscal years ended June 30, 2018 and 2017 is \$414,016 and \$414,871 respectively. These amounts represent 4.82% and 4.81% of the total net position for each fiscal year and may be used to meet the IDA's ongoing obligations to creditors.

<u>Industrial Development Authority of Dickenson County, Virginia's Net Position</u>		
<u>ASSETS:</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 11,746,935	\$ 10,922,395
Capital Assets	11,402,873	11,570,719
Total Assets	<u>23,149,808</u>	<u>22,493,114</u>
Deferred Outflows of Resources	<u>-0-</u>	<u>-0-</u>
<u>LIABILITIES:</u>		
Long-Term Liabilities Outstanding	13,991,825	13,119,622
Current Liabilities	586,658	750,127
Total Liabilities	<u>14,578,483</u>	<u>13,869,749</u>
Deferred Inflows of Resources	<u>-0-</u>	<u>-0-</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	8,003,604	8,005,535
Restricted	153,705	205,959
Unrestricted	414,016	414,871
Total Net Position	<u>\$ 8,571,325</u>	<u>\$ 8,623,365</u>

At the end of the both fiscal years, the Authority was able to report a positive balance in its net position.

Statement of Revenues, Expenses and Changes in Net Position

Activities decreased the Authority's net assets by \$52,040 and decreased \$92,202 in fiscal years ended June 30, 2018 and 2017, respectively. Key elements of this increase and decrease are as follows:

<u>Industrial Development Authority of Dickenson County, Virginia's Change in Net Position</u>		
<u>REVENUES:</u>	<u>2018</u>	<u>2017</u>
General Revenues:		
Other Local Revenues	\$ 128,504	\$ 206,277
Revenue from Use of Property	262,640	259,376
Total Revenues	391,144	465,653
<u>EXPENSES:</u>		
Community Development	459,875	547,119
Total Expenses	459,875	547,119
<u>NON-OPERATING REVENUES AND (EXPENSES):</u>		
Revenue from Use of Money	1,995	1,118
Grants - VCEDA	501,988	58,436
Transfer - PSA - Red Onion	(501,988)	(58,436)
Grants - USDA	30,834	19,166
Transfer - Judicial Center	(15,619)	(19,166)
Wise County Grant	-0-	10,000
Miscellaneous	-0-	400
Gain (Loss) on Asset - Disposal	-0-	(17,045)
Facility Lease - School Board	-0-	107,183
Facility Lease - Judicial Lease	-0-	414,833
Interest Expense	(519)	(527,225)
Total Non-Operating Revenues and (Expenses)	16,691	(10,736)
Change in Net Position	(52,040)	(92,202)
NET POSITION AT BEGINNING OF YEAR	8,623,365	8,715,567
NET POSITION AT END OF YEAR	\$ 8,571,325	\$ 8,623,365

D. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The Authority’s investment in capital assets for its governmental fund as of June 30, 2018 and 2017 amounts to \$11,402,873 and \$11,570,719, respectively, net of accumulated depreciation. This investment is in land, buildings and improvements, site development costs, and office equipment. The total decrease in the Authority’s net investment in capital assets for the current fiscal year was \$(167,846). The decrease comes from a combination of the current year depreciation expense and current year asset additions.

<u>Industrial Development Authority of Dickenson County, Virginia’s Change in Net Assets</u>		
	<u>2018</u>	<u>2017</u>
Land	\$ 910,705	\$ 910,705
Site Development Costs	2,163,625	2,163,625
Buildings and Building Improvements	13,169,496	13,046,342
Automobile	19,216	19,216
Equipment, Furnishings and Signage	<u>425,196</u>	<u>371,134</u>
Total Assets	16,688,238	16,511,022
Less: Accumulated Depreciation	<u>(5,285,365)</u>	<u>(4,940,303)</u>
Net Capital Assets	<u>\$ 11,402,873</u>	<u>\$ 11,570,719</u>

Additional information on the Authority’s capital assets can be found in Note 5.

Total Debt – At the end of the current fiscal year, the Authority had total debt outstanding of \$14,578,079.

During the current fiscal year, the Authority’s total government debt increased by \$708,330.

The following is a schedule of **long-term debt** maturities:

<u>Industrial Development Authority of Dickenson County, Virginia’s Long-Term Debt Maturities</u>	
<u>Year Ended</u>	<u>Principal Maturities</u>
2020	\$ 591,105
2021	597,050
2022	609,130
2023	621,574
2024	635,725
2025-2029	2,135,118
2030-2034	2,404,359
2035-2039	1,377,425
2040-2044	4,887,738
2045-2049	<u>132,601</u>
TOTAL LONG-TERM DEBT	<u>\$ 13,991,825</u>

Additional information of the Authority's long-term debt can be found in Note 6 of this report.

Acknowledgements

This financial report is designed to provide a general overview of the Industrial Development Authority of Dickenson County, Virginia's finances for all those with an interest in the Authority's financial position. Questions about this report, separate reports of the IDA's component units or need any additional financial information, contact:

Industrial Development Authority
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Clintwood, VA 24228
Phone: (276) 926-1699
E-mail: mitzi.sykes@ida.dcwin.org.

BASIC FINANCIAL STATEMENTS

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT 1

ASSETS

CURRENT ASSETS

	2018	2017
Cash - Operating	\$ 167,270	\$ 275,154
Cash - Reserved	1,509,327	228,547
Certificate of Deposit	108,347	107,815
Interest Receivable	2	2
Notes Receivable- Revolving Loans	16,466	
Due from Behavioral Health	-	100,000
Due from Dickenson Community Hospital	5,000	-
Due from Serco	87,836	37,644
Due from Wise County	-	9,500
Due from Clintwood Inn	6,000	-
Due from VCEDA	38,634	-
TOTAL CURRENT ASSETS	1,938,882	758,662

NONCURRENT ASSETS

Notes Receivable- Revolving Loans	27,131	-
Notes Receivable - Bird Dog Distributors, LLC.	43,760	43,760
Due from Dickenson County - Judicial Center	9,737,162	10,119,973
Fixed Assets (Net Accumulated Depreciation)	11,402,873	11,570,719
TOTAL NONCURRENT ASSETS	21,210,926	21,734,452
TOTAL ASSETS	23,149,808	22,493,114
Deferred Outflows	-	-

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	404	-
Notes Payable - Current	586,254	750,127
TOTAL CURRENT LIABILITIES	586,658	750,127

NONCURRENT LIABILITIES

Noncurrent Portion of Long-Term Obligation	13,991,825	13,119,622
TOTAL NONCURRENT LIABILITIES	13,991,825	13,119,622
TOTAL LIABILITIES	14,578,483	13,869,749
Deferred Inflows	-	-

NET POSITION

Net Investment in Capital Assets	8,003,604	8,005,535
Restricted For: Economic Development	34,223	34,172
Agricultural Center	34,890	29,544
Judicial Center	17,326	142,243
Debt Reserve	67,266	-
Unrestricted	414,016	414,871
TOTAL NET POSITION (restated)	\$ 8,571,325	\$ 8,623,365

THE ACCOMPANYING LETTER AND NOTES ARE AN INTEGRAL PART HEREOF.

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT 2

REVENUES:	2018	2017
Other Local Revenues	\$ 128,504	\$ 206,277
Revenue from Use of Property	262,640	259,376
TOTAL REVENUES	391,144	465,653
EXPENSES:		
Current:		
Travel Expense	1,750	1,894
Board Compensation	4,243	4,246
Board Meeting Expense	4,396	4,835
Contractual Expense	10,500	10,500
Maintenance and Repairs	39,638	71,597
Utilities Expense	6,649	58,678
Telecommunications	3,327	1,920
Prospect and Conference Expense	29,463	35,542
Insurance Expense	4,023	500
Office Expense	416	2,809
Depreciation Expense	345,062	345,648
Other Expenses	10,408	8,950
TOTAL EXPENSES	459,875	547,119
Change in Net Position	(68,731)	(81,466)
NON-OPERATING REVENUES AND (EXPENSES):		
Revenue from Use of Money	1,995	1,118
Grants – VCEDA	501,988	58,436
Transfer – PSA – Red Onion	(501,988)	(58,436)
Grant – UDSA	30,834	19,166
Transfer – Judicial Center	(15,619)	(19,166)
Grant – Ag Center	-	10,000
Miscellaneous	-	400
Loss on Disposition of Assets	-	(17,045)
Facility Lease – School Board	-	107,183
Facility Lease – Judicial Center	-	414,833
Interest Expense	(519)	(527,225)
TOTAL NON-OPERATING REVENUES AND (EXPENSES)	16,691	(10,736)
Net Change in Net Position	\$ (52,040)	\$ (92,202)
NET POSITION AT BEGINNING OF YEAR	\$ 8,623,365	\$ 8,715,567
NET POSITION AT END OF YEAR	\$ 8,571,325	\$ 8,623,365

THE ACCOMPANYING LETTER AND NOTES ARE AN INTEGRAL PART HEREOF.

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
STATEMENT OF CASH FLOWS
FOR THE YEAR JUNE 30, 2018

EXHIBIT 3

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Revenue From Local Government	\$ 128,504	\$ 206,277
Revenue form Use of Property	262,640	259,376
Cash Paid to Vendors	<u>(104,929)</u>	<u>(197,752)</u>
Net Cash Flow Provided (Used) By Operating Activities	286,215	267,901
Cash Flow From Non Capital Financing Activities		
Operating Grants Received	532,822	87,602
Operating Transfers-Out to Other Funds	<u>(517,607)</u>	<u>(77,602)</u>
Net Cash Provided by Non Capital Financing Activities	<u>15,215</u>	<u>10,000</u>
Cash Flow From Capital and Related Financing Activities		
(Increase) Decrease in Notes Receivable	(133,925)	544,610
(Increase) Decrease in Due from Governmental Units	480,670	26,254,265
Debt Reduction - Current	(163,873)	(1,040,770)
Debt Reduction - Non Current	(692,391)	(26,222,654)
Loan Proceeds - Rural Development	1,557,255	751,194
Purchase of Fixed Assets	(177,216)	-
Interest Paid on Debt	<u>(519)</u>	<u>527,225</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>870,001</u>	<u>240,580</u>
Cash Flow From Investing Activities		
Interest Income on Investments	<u>1,995</u>	<u>1,118</u>
Net Cash Provided by Investing Activities	<u>1,995</u>	<u>1,118</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,173,426</u>	<u>38,439</u>
CASH AND EQUIVALENT, BEGINNING OF THE YEAR	<u>611,518</u>	<u>573,079</u>
CASH AND EQUIVALENT, END OF THE YEAR	<u><u>\$ 1,784,944</u></u>	<u><u>\$ 611,518</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (used by operating activities)		
Operating Loss	<u>\$ (52,040)</u>	<u>\$ (92,202)</u>
Adjustments:		
Depreciation	345,062	345,648
Loss on Disposition of Assets	-	17,045
Increase (Decrease) in Accounts Payable	(1,421)	(2,590)
Prior Period Adjustment	(5,386)	-
TOTAL ADJUSTMENTS	<u>338,255</u>	<u>360,103</u>
Net Cash flow Provided (Used) by Operating Activities	<u><u>\$ 286,215</u></u>	<u><u>\$ 267,901</u></u>

THE ACCOMPANYING LETTER AND NOTES ARE AN INTEGRAL PART HEREOF.

NOTES TO FINANCIAL STATEMENTS

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. The Financial Reporting Entity

The Authority is a political subdivision of the Commonwealth of Virginia created pursuant to the Industrial Development and Revenue Bond Act (Chapter 33, Title 15.1, Code of Virginia of 1950, as amended). The Industrial Development Authority of Dickenson County, Virginia was created by an ordinance adopted in September of 1979 by the Dickenson County Board of Supervisors. The General Assembly of Virginia authorized the creation of industrial development authorities by the several municipalities in the Commonwealth of Virginia so that such authorities may acquire, own, lease, and dispose of properties to the end that such authorities may be able to promote industry and develop trade by inducing manufacturing, industrial, governmental and commercial enterprises to locate in or remain in the Commonwealth and further the use of its agricultural products and natural resources and vested such authorities with all powers that may be necessary to enable them to accomplish such purposes, which powers shall in all respects be exercised for the benefit of the inhabitants of the Commonwealth, for the increase of their commerce and for the promotion of their safety, health, welfare, convenience, and prosperity.

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 included 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 Dickenson County, Virginia (the primary government), which is not considered a component unit of Dickenson County. The Industrial Development Authority of Dickenson County, Virginia's financial statements include all operations of the Industrial Development Authority of Dickenson County, Virginia.

C. Financial Statement Presentation

Basis of Presentation

The financial statements of the Authority 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: (Continued)

The Authority is governed by a seven member Board appointed by The County of Dickenson, Virginia Board of Supervisors. The Board is responsible for appointing the Director. The Authority provides buildings and operations for business expansion in Dickenson County.

Legally, the Authority is a separate governmental entity that has considerable legal, financial, and administrative autonomy. However, as the governing board is not elected but is entirely appointed by the county, the Authority cannot be a primary government. Instead, it qualifies as a discretely presented component unit of Dickenson County, Virginia (the primary government).

Basis of Accounting

The Authority recovers the costs of providing services, including capital costs, through user charges. Accordingly, the Authority uses enterprise funds and the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recorded as incurred. Operating revenues consist of rental charges to Authority users. Operating expenses include repairs, materials and supplies, rental, and depreciation and amortization of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Tax Status

The Authority, as part of a local government, is not subject to federal, state, or local income taxes, and accordingly, no provision for income taxes is made.

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.

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Machinery and Equipment	5-10
Site Development Costs	15

NOTE 2: CASH AND INVESTMENTS

Deposits

At year-end the carrying value of the Authority's deposits with banks was \$1,784,944 and the bank balance was \$1,788,066. Of the bank balance, \$1,784,944 was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Investments

Statutes authorize the Authority 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) and Asian Development Bank, Commercial Paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: Continued

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity. Category 1 included investments that are insured or registered or for which the securities are held by the Authority or its safekeeping agent in the Authority's name. Category 2 included uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Authority's name.

	Category			Carrying	Market
	1	2	3	Amount	Value
Investments	\$0	\$0	\$0	\$ -	\$ -
Total Investments				\$ -	\$ -
Total Deposits				-	1,788,066
Total Deposits and Investments				\$ -	\$ 1,788,066

NOTE 3: INTEREST RECEIVABLE

Interest income was accrued for 2 days at an annual rate of .40% on the Farmers and Miners Bank Certificate of Deposit.

NOTE 4: NOTES RECEIVABLE

The Authority loans money to local businesses from its revolving loan funds which meets certain guidelines at 1.25% per annum. The Authority had \$87,357 in business revolving loans during the year ended June 30, 2018.

NOTE 5: FIXED ASSETS

A summary of changes in general fixed assets for the year ending June 30, 2018 is as follows:

	JULY 1, 2017			JUNE 30, 2018
	BALANCE	ADDITIONS	DELETIONS	BALANCE
Land	\$ 910,705	\$ -	\$ -	\$ 910,705
Site Development Costs	2,163,625	-	-	\$ 2,163,625
Buildings and Improvements	13,046,343	123,153	-	\$ 13,169,496
Automobile	19,216	-	-	\$ 19,216
Signage	16,106	-	-	\$ 16,106
Equipment and Furnishings	355,027	54,063	-	\$ 409,090
TOTAL GENERAL				
FIXED ASSETS	\$ 16,511,022	\$ 177,216	\$ -	\$ 16,688,238

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: LONG-TERM DEBT

The Authority has four loans with the Virginia Coalfield Economic Development Authority (VCEDA) the first VCEDA loan of \$99,410 at 0.00% for the development of and construction of industrial parks, buildings and business development. The second VCEDA loan is \$3,161,471 for The Sleep Inn Hotel. The third VCEDA loan is for assisting Bird Dog Distributors, LLC., to locate in the DCER building, along with the purchase and installation of necessary equipment. Proceeds can be drawn on the loan up to a balance of \$428,000. As of June 30, 2018, \$42,348 has been drawn on the note. The fourth VCEDA loan is for the Acquisition and Development of 1.14 acres of property. Proceeds can be drawn on the loan up to a balance of \$300,000. The loan balance as of year-end is \$139,800.

\$ 3,625,000 VCEDA promissory note issued on June 2, 2011 for the construction of the Sleep Inn Hotel which was completed as of the year ended. The amount of funds drawn against the note is \$ 3,625,000 with a year-end balance of \$3,161,471.

\$ 10,000,000 USDA – Rural Development note was approved on September 27, 2013 as part of the Authority's financing of the Dickenson County Judicial Center. The amount of funds drawn as of year-end is \$10,000,000 with a year-end balance of \$9,487,620.

\$2,500,000 Virginia Small Business Finance Authority (VSBFA) note was obtained and dated October 02, 2013 as part of the Authority's financing of the Dickenson County Judicial Center. The amount of funds drawn as of year-end is \$2,500,000 with a year-end balance of \$1,618,182.

\$147,000 VCEDA promissory note was issued on February 10, 2014 to complete a purchase of 104 acres of land from Heartwood Forest Find IV, L.P. for the Red Onion Industrial Park. The amount of funds drawn as of June 30, 2018 is \$99,410. The remaining funds can be drawn to aide in the development of the Industrial Park.

\$428,000 VCEDA promissory note was issued on September 02, 2015 to assist with the location of Bird Dog Distributors, LLC., to the DCER building for the purchase of equipment, building improvements, installation costs and delivery expenses. The amount of funds drawn as of June 30, 2018 is \$42,348 with a year-end balance of \$42,348.

\$ 300,000 VCEDA promissory note was issued on December 15, 2015 to assist with the Acquisition and Development of 1.14 acres. The amount of funds drawn as of June 30, 2017 is \$139,800.

\$ 65,000 UDSA – Rural Development note was approved on September 15, 2015 to purchase Judicial Center security equipment. The amount of funds drawn as of June 30, 2018 is \$65,000, with a year end balance of \$29,248.

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: Continued

The following is a summary of debt as of June 30, 2018:

	JULY 1, 2017			JUNE 30, 2018
	BALANCE	ADDITIONS	DELETIONS	BALANCE
VSBFA - DCER Building	\$ 128,504	\$ -	\$ 128,504	\$ -
VCEDA - Sleep Inn Hotel	3,197,471	-	36,000	3,161,471
USDA - RD - Judicial Center	8,370,320	1,557,255	439,955	9,487,620
VSBFA - Judicial Center	1,841,145	-	222,963	1,618,182
** VCEDA - Red Onion Park	99,410	-	-	99,410
VCEDA - Bird Dog, LLC.	42,348	-	-	42,348
VCEDA - Real Estate Acquisition	139,800	-	-	139,800
USDA - RD - Judicial Center	50,751	-	21,503	29,248
TOTAL DEBT	\$ 13,869,749	\$ 1,557,255	\$ 848,925	\$ 14,578,079

****There is no specific payback schedules attached to these notes.**

Details of Long-term Indebtness:

\$3,625,000 loan payable to VCEDA, with monthly payments of \$14,498 and a 0.00% interest rate.

The note is secured by Sleep Inn Hotel Property.

Less: Current Portion

	Long Term Debt
\$ 3,161,471	
(173,976)	\$ 2,987,495

\$10,000,000 loan from USDA – RD – for judicial center construction at a rate of 3.5% with interest only payments for the first two years during the construction phase. The loan is composed of two notes: one \$8 million and one \$2 million. The initial draw occurred on February 18, 2015 and the total drawing on the note year-ended June 30, 2017 was \$10,000,000.

Less Current Portion

9,487,620	
(146,676)	9,340,944

\$2,500,000 loan from VSBFA issued October 02, 2013 for judicial center construction with an interest rate of 2.44% and monthly payments of \$23,500 beginning November 02, 2015. Total drawing on the note as of June 30, 2017 is \$2,500,000.

Less: Current Portion

1,618,182	
(243,582)	1,374,600

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6: (Continued)

\$147,000 loan payable to VCEDA date February 10, 2015 with no specific monthly payback schedule and a 0% on interest rate. The note is secured by deed of trust on Red Onion property. The note matures February 10, 2024
 Total funds drawn on the note as of year-end \$99,410.

Less: Current Portion

99,410

-0-

Long Term
Debt

99,410

\$428,000 loan payable to VCEDA dated September 02, 2015 With an interest rate of 1.625%. The note is for assisting the Location of Bird Dog Distributors, LLC., to the DCER for the purchase of equipment, building improvements, instillation costs and delivery expenses. The first monthly payment is due September 02, 2016 with first twenty-four payments of interest only and remaining sixty payments of principal and interest until paid in full. The total funds drawn on the note as of June 30, 2016 is \$42,348.

Less: Current Portion

42,348

-0-

42,348

\$ 300,000 loan payable to VCEDA dated December 15, 2016 with no specific monthly payback schedule and 0% interest rate. The note matures on December 15, 2026.
 Total drawing on the note as of year-end \$139,800

Less: Current Portion

139,800

-0-

139,800

\$ 65,000 loan payable to UDSA – RD for Judicial Center Security equipment at a rate of 2.375% and a monthly payment of \$1,873, began on November 24, 2016 and matures on October 24, 2019.

Less: Current Portion

29,248

(22,020)

7,228

TOTAL LONG-TERM DEBT

\$ 13,991,825

The following is a schedule of long-term debt maturities:

For the Period Ended June 30,	Principal Maturities
2020	\$ 591,105
2021	597,050
2022	609,130
2023	621,574
2024	635,725
2025-2029	2,135,118
2030-2034	2,404,359
2035-2039	1,377,425
2040-2044	4,887,738
2045-2049	132,601
TOTAL	<u>\$13,991,825</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7: SURETY BONDS

The Authority has a blanket bond with the Division of Risk Management, Commonwealth of Virginia, covering the Chairman and Board members in the amount of \$1,000,000 per occurrence.

NOTE 8: RED ONION INDUSTRIAL PARK

The authority entered into an agreement dated December 22, 2010 with Paramount Coal Company Virginia, LLC to develop approximately 104 acres. The authority will give Paramount \$25,000 and convey 12.651 acres known as Frying Pan Property. The property was conveyed to Heartwood Forest Find IV, L.P. on December 16, 2010. The Authority completed purchase of the property from Heatwood- Forest during the year-ended June 30, 2014 for an additional \$ 99,410. The Authority has engaged Thompson and Litton of Wise, Virginia, for engineering and site studies.

NOTE 9: JUDICIAL CENTER

The Authority was approved for a rural development loan not to exceed \$10,000,000 for a portion of the Judicial Center construction and also a VSBFA loan not to exceed \$2,500,000. The loan will be rescheduled for repayment over a period of 40 years. The payment due the first and second annuities will be interest only. The loan balance will be amortized over the remaining 38 years at 3.5%. A debt service reserve is required and must be accumulated at the rate of 10% of the monthly debt payment until a sum equal to no less than one annual installment is accumulated. The loan was secured by a revenue bond pledging the net revenues from lease payments from Dickenson County to the Authority on parity with any previous revenue bonds, a lease agreement between the county and the IDA, and a deed of trust, having first priority and other agreements between Rural Development and the Authority.

NOTE 10: PRIOR PERIOD ADJUSTMENT

The beginning net position for the year ended June 30, 2017 was restated for the following:

Decrease in Accrued Compensated Absences	\$ 8,386
Decrease in Wise County, VA – Ag Grant Receivable	(500)
Decrease in Dickenson Community Hospital Rent Receivable	<u>(2,500)</u>
Net Increase in Net Position	<u>\$ 5,386</u>

NOTE 11: SUBSEQUENT EVENTS

The Authority's management evaluated subsequent events through February 04, 2019 the date at which the report was available to be issued. No subsequent events were identified that would have a material effect on the financial statements.

Compliance SECTION

LARRY D. STURGILL, P. C.

LARRY D. STURGILL

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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

The Honorable Board Members of the
Industrial Development Authority of
Dickenson County, Virginia
Clintwood, VA 24228

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activity of the Industrial Development Authority of Dickenson County, Virginia (a component unit of the County of Dickenson, Virginia) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 04, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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

The Honorable Board Members of the
Industrial Development Authority of
Dickenson County, Virginia
Clintwood, VA 24228
Page 2

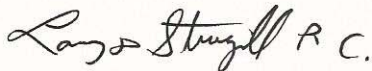
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Larry D. Sturgill, P.C.
Wise, Virginia
February 04, 2019

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/GRANT NUMBER	FEDERAL CFDA NUMBER	PROGRAM CLUSTERS	FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE (Direct)</u>			
Rural Development Grant	10.766	N/A	\$ 13,509
Rural Development/Community Facilities Loan	10.766	N/A	<u>301,610</u>
Total U.S. Department of Agriculture			<u>\$ 315,119</u>
Total Expenditures of Federal Awards			<u><u>\$ 315,119</u></u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule of SEFA) includes all federal grant activity of the Industrial Development Authority of Dickenson County, Virginia. The Dickenson County Industrial Development Authority's reporting entity is defined in Note 1 of the Industrial Development Authority's basic financial statements. All federal financial assistance that passed through other government agencies or not-for-profit organizations is included on the Schedule.

2. BASIS OF ACCOUNTING

The Schedule is presented in the accrual basis of accounting for the proprietary funds, as described in Note 1 to the Industrial Development Authority of Dickenson County, Virginia's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. FEDERAL COGNIZANT AGENCY

The Federal cognizant agency for the Authority is the U.S. Department of Agriculture.

4. LOANS

The Authority had two Rural Development loans with outstanding balances as of June 30, 2018 of \$ 9,516,869

5. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal expenditures are reported in the reporting entity financial statements as follows:

Revenue from the Federal government – Financial Statements	\$ 30,834
Loan Proceeds from the Federal Government – Financial Statements	1,557,255
Add (subtract) Federal Awards Revenue Recognized:	
In Prior Fiscal Years, Spent this Fiscal Year	142,243
In Current Fiscal Year, but not Spent	(1,415,213)
Expenditures of Federal Awards	\$ <u>315,119</u>

6. INDIRECT COST RATE

The Authority has not elected to use the 10% de minimus indirect cost rate discussed in UG Section 200.414.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF DICKENSON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. Summary of Auditor's Results

1. The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles. **UNMODIFIED**
2. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **NO**
 - Significant deficiencies: **NONE REPORTED**
3. Noncompliance, which is material to the financial statements: **NO**
4. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **N/A**
 - Significant deficiencies: **N/A**
5. The type of report issued on compliance for major programs: **N/A**
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **NO**
7. Major programs: **NONE**
8. Dollar threshold to distinguish between Type A and B Programs: **\$750,000**
9. Auditee qualified as a low-risk auditee: **YES**

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

NONE

C. Findings and Questioned Costs Relating to Federal Awards

NONE

*Industrial Development Authority
Of Dickenson County, VA*

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