



**Economic Development Authority
of King George County, Virginia
(A Component Unit of King George County, Virginia)**

**Financial Report
Year Ended June 30, 2017**

**ECONOMIC DEVELOPMENT AUTHORITY
OF KING GEORGE COUNTY, VIRGINIA
(A COMPONENT UNIT OF KING GEORGE COUNTY, VIRGINIA)**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2017

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ECONOMIC DEVELOPMENT AUTHORITY
OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of King George County, Virginia)

YEAR ENDED JUNE 30, 2017

DIRECTORS

Robert Fuscaldo

Dreda Newman

Richard Ballenger, III

James Hull

Ted Haenlein

Carol Werle

OFFICERS

Robert Fuscaldo Chairman
Dreda Newman..... Vice—Chairman
Ryan Gandy Secretary/Treasurer

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of
Economic Development Authority of King George County, Virginia
King George, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Economic Development Authority of King George, Virginia (a component unit of the County of King George, Virginia) 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 Economic Development Authority of King George, Virginia, 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of Economic Development Authority of King George, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Economic Development Authority of King George, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 29, 2017

Basic Financial Statements

ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of the County of King George, Virginia)

Exhibit 1

Statement of Net Position
As of June 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 223,443
Land and improvements held for resale	<u>3,322,400</u>

Total current assets \$ 3,545,843

Total assets \$ 3,545,843

LIABILITIES AND NET POSITION

Liabilities:

Current liabilities:

Current portion of long-term obligations	\$ <u>1,000,000</u>
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Total liabilities \$ 1,000,000

Net Position:

Unrestricted	\$ <u>2,545,843</u>
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Total liabilities and net position \$ 3,545,843

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

ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of the County of King George, Virginia)

Exhibit 2

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017

Operating Revenues:	
Administrative fees	\$ 24,863
Miscellaneous	6,500
	<hr/>
Total operating revenues	\$ 31,363
	<hr/>
Operating Expenses:	
Salaries and related benefits	\$ 3,445
Professional services	10,665
Supplies	3,755
Miscellaneous	1,465
	<hr/>
Total operating expenses	\$ 19,330
	<hr/>
Operating income (loss)	\$ 12,033
	<hr/>
Nonoperating Revenues (Expenses):	
Interest income	\$ 250
Contribution from County of King George	10,000
	<hr/>
Total nonoperating revenues (expenses)	\$ 10,250
	<hr/>
Change in net position	\$ 22,283
	<hr/>
Net position, beginning of year	2,523,560
	<hr/>
Net position, end of year	\$ 2,545,843
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows
Year Ended June 30, 2017

Cash flows from operating activities:	
Receipts from customers and users	\$ 31,363
Payments to employees (including fringe benefits)	(3,445)
Payments to suppliers	<u>(15,885)</u>
Net cash provided by (used for) operating activities	<u>\$ 12,033</u>
Cash flows from investing activities:	
Interest income	<u>\$ 250</u>
Cash Flows from Noncapital Financing Activities:	
Contribution from County of King George	<u>\$ 10,000</u>
Increase (decrease) in cash and cash equivalents	\$ 22,283
Cash and cash equivalents at beginning of year	<u>201,160</u>
Cash and cash equivalents at end of year	<u><u>\$ 223,443</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for)	
operating activities:	
Operating income (loss)	\$ 12,033
Adjustments to reconcile operating income (loss) to net cash provided by (used for)	
operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in land and improvements held for resale	<u>-</u>
Net cash provided by (used for) operating activities	<u><u>\$ 12,033</u></u>

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

ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of King George County, Virginia)

Notes to Financial Statements
As of June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

Economic Development Authority of King George, Virginia was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors on May 3, 1973 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 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.

B. Financial Reporting Entity:

The basic criterion for including organizations within the reporting entity 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 Economic Development Authority of King George County Virginia, which is considered a component unit of King George County. The Economic Development Authority of King George County, Virginia financial statements include all operations of the Economic Development Authority of King George County, Virginia.

C. Basic Financial Statements:

Management's Discussion and Analysis—Accounting principles generally accepted in the United States of America require 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.

Enterprise Fund Financial Statements

Statement of Net Position—The Statement of Net Position is designed to display financial position of the Authority. Governments 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 a government will be broken down into three categories—1) net investment in capital assets; 2) restricted; and 3) unrestricted.

ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of King George County, Virginia)

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

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

D. Basis of Accounting:

Economic Development Authority of King George County, Virginia operates as an enterprise fund and its accounts are maintained 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. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are administrative fees. The principal operating expenses include professional services expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. 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.

F. Inventory:

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements. However, the Authority does consider its holdings of land held in industrial parks for resale as inventory. Land and improvements held for sale are recorded at the lower of cost or market.

G. 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.

ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of King George County, Virginia)

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

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

H. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2017.

I. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets 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.

J. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the 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.

K. 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 payment 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 matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of King George County, Virginia)

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

NOTE 2—DEPOSITS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

NOTE 3—LONG-TERM OBLIGATIONS:

Annual requirements to amortize the Authority's long-term obligations and related interest are as follows:

Year Ending June 30,	Loan Payable	
	Principal	Interest
2018	\$ 1,000,000	\$ -
Total	\$ 1,000,000	\$ -

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance July 1, 2016	Issuance	Retirement	Balance June 30, 2017	Due Within One Year
Loan Payable	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000

Long-term obligations consist of the following:

\$1,000,000 loan from County of King George payable upon sale of property in the Industrial Park	\$ 1,000,000
Total	\$ 1,000,000

**ECONOMIC DEVELOPMENT AUTHORITY OF KING GEORGE COUNTY, VIRGINIA
(A Component Unit of King George County, Virginia)**

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

NOTE 4—LAND AND IMPROVEMENTS HELD FOR RESALE:

Land and improvements held for resale at June 30, 2017 consists of approximately 87.14 acres of land and land improvements which total \$3,322,400.

NOTE 5—RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority joined together with other local governments in Virginia to form the VACO Risk Management Programs, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The Authority pays an annual premium to the association for its insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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
Economic Development Authority of King George County, Virginia
King 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 Economic Development Authority of King George County, Virginia (a component unit of King George County, Virginia) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Economic Development Authority of King George County, Virginia's basic financial statements and have issued our report thereon dated November 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Development Authority of King George County, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Economic Development Authority of King George County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Authority of King George County, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Economic Development Authority of King George County, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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, Farmer, Cox Associates

Fredericksburg, Virginia
November 29, 2017