

**ECONOMIC DEVELOPMENT AUTHORITY
OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

Economic Development Authority of County of Pulaski, Virginia
Financial Report
Year Ended June 30, 2022

Table of Contents

FINANCIAL SECTION

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1-3 |
| Financial Statements: | |
| Statement of Net Position | 4 |
| Statement of Revenues, Expenses, and Changes in Net Position..... | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-17 |

COMPLIANCE SECTION

Compliance:

| | |
|---|-------|
| 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 <i>Government Auditing Standards</i> | 18-19 |
| Schedule of Findings and Responses | 20 |
| Summary Schedule of Prior Audit Findings..... | 21 |

FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of
Economic Development Authority of Pulaski County, Virginia
Pulaski, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Economic Development Authority of Pulaski County, Virginia (a component unit of the County of Pulaski, Virginia), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of Pulaski County, Virginia's basic financial statements as listed in the table of contents.

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 Pulaski County, Virginia as of June 30, 2022, 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.

Basis for Opinion

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 Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Economic Development Authority of Pulaski County, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 12 to the financial statements, in 2022, the Authority restated beginning balances to reflect the requirements of GASB Statement No. 87. Our opinions is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Development Authority of Pulaski County, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* and the *Specification for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Economic Development Authority of Pulaski County, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Development Authority of Pulaski County, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 April 13, 2023, on our consideration of Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting and compliance.

Robinson, Jarmon, Cox, Associates

Blacksburg, Virginia
April 13, 2023

ECONOMIC DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)

Statement of Net Position
At June 30, 2022

| | |
|--|----------------------|
| Assets: | |
| <i>Current Assets:</i> | |
| Cash and cash equivalents | \$ 191,599 |
| Accounts receivable, net of allowance | 1,323,981 |
| Interest receivable, net of allowance | 92,064 |
| Rent receivable, net of allowance | 60,926 |
| Prepaid expenses | 19,612 |
| Leases receivable-current portion | 440,863 |
| Notes receivable-current portion | 2,080,593 |
| <i>Restricted Current Assets:</i> | |
| Cash held for Virginia's First IFA | 506,933 |
| Cash and cash equivalents - tenant deposits | 19,545 |
| Total Current Assets | <u>\$ 4,736,116</u> |
| <i>Noncurrent Assets:</i> | |
| Leases receivable-long-term portion | \$ 1,258,054 |
| Notes receivable-long-term portion, net of allowance | 28,197,109 |
| Capital assets, not being depreciated | 2,165,210 |
| Capital assets, being depreciated | 28,408,033 |
| Accumulated depreciation | <u>(14,458,353)</u> |
| Capital assets, net of depreciation | \$ 16,114,890 |
| Total Noncurrent Assets | <u>\$ 45,570,053</u> |
| Total Assets | <u>\$ 50,306,169</u> |
| Liabilities: | |
| <i>Current Liabilities:</i> | |
| Accounts payable | \$ 175,392 |
| Interest payable | 11,514 |
| Unearned revenue | 18,256 |
| Tenant deposits | 19,545 |
| Due to Virginia's First IFA | 506,933 |
| Due to Pulaski County-current portion | 591,346 |
| Notes payable-current portion | 330,795 |
| Revenue bonds payable-current portion | 1,284,139 |
| Bonds payable-current portion | 289,400 |
| Loans payable-current portion | 98,739 |
| Total Current Liabilities | <u>\$ 3,326,059</u> |
| <i>Noncurrent Liabilities:</i> | |
| Due to Pulaski County-noncurrent portion | \$ 500,000 |
| Notes payable-noncurrent portion | 5,824,240 |
| Revenue bonds payable-noncurrent portion | 21,294,256 |
| Bonds payable-noncurrent portion | 1,554,300 |
| Loans payable-noncurrent portion | <u>2,501,261</u> |
| Total Noncurrent Liabilities | <u>\$ 31,674,057</u> |
| Total Liabilities | <u>\$ 35,000,116</u> |
| Deferred Inflows of Resources: | |
| Lease related | <u>\$ 1,682,628</u> |
| Net Position: | |
| Net investment in capital assets | \$ 12,741,735 |
| Unrestricted | 881,690 |
| Total Net Position | <u>\$ 13,623,425</u> |

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

ECONOMIC DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

| | |
|---|-----------------------------|
| Operating Revenues: | |
| Lease/rental fees | \$ 1,171,500 |
| Recovered costs | 4,679,571 |
| Governor's opportunity fund | 150,000 |
| Total operating revenues | <u>\$ 6,001,071</u> |
| Operating Expenses: | |
| Salaries and wages | \$ 173,204 |
| Benefits | 38,333 |
| Materials and maintenance | 517,141 |
| Contractual services | 322,255 |
| Insurance | 63,463 |
| Local industry assistance | 88,675 |
| Tax grants and rebates | 300,000 |
| Utilities | 573,663 |
| Marketing and promotion | 189,247 |
| Miscellaneous | 374,680 |
| Depreciation | 817,095 |
| Total operating expenses | <u>\$ 3,457,756</u> |
| Operating Income (Loss) | <u>\$ 2,543,315</u> |
| Nonoperating Income and (Expenses): | |
| Gain (loss) on sale of property | \$ (125,378) |
| Interest income | 1,129 |
| Interest income from leases | 35,097 |
| Contributions from County | 262,000 |
| Miscellaneous | 336,324 |
| Bond issuance costs | (30,727) |
| Interest expense | (1,562,613) |
| Total nonoperating income and expenses | <u>\$ (1,084,168)</u> |
| Income before contributions | <u>\$ 1,459,147</u> |
| Capital contributions | <u>\$ 150,404</u> |
| Change in net position | \$ 1,609,551 |
| Net Position, beginning of year - as restated | 12,013,874 |
| Net Position, end of year | <u><u>\$ 13,623,425</u></u> |

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

ECONOMIC DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)

Statement of Cash Flows
Year Ended June 30, 2022

| | |
|--|----------------|
| Cash flows from operating activities: | |
| Cash received from short-term lessees | \$ (168,445) |
| Cash received from others | 2,970,764 |
| Cash paid to and for employees | (211,537) |
| Cash paid to suppliers for goods and services | (2,309,269) |
| Net cash provided by (used for) operating activities | \$ 281,513 |
| Cash flows from noncapital financing activities: | |
| Contribution from Pulaski County | \$ 263,655 |
| Notes receivable issued | (502,117) |
| Payments received on notes and capital leases receivable | 2,850,430 |
| Miscellaneous income | 336,324 |
| Bond issuance costs | (30,727) |
| Retirement of indebtedness | (5,414,852) |
| Issuance of indebtedness | 3,052,117 |
| Interest and loan costs paid on debt | (1,674,011) |
| Net cash provided by (used for) noncapital financing activities | \$ (1,119,181) |
| Cash flows from capital and related financing activities: | |
| Proceeds from sale of capital assets | \$ 501,642 |
| Purchase of capital assets | (70,867) |
| Principal payments on lease receivable | 432,833 |
| Retirement of indebtedness | (101,122) |
| Net cash provided by (used for) capital and related financing activities | \$ 762,486 |
| Cash flows from investing activities: | |
| Interest income | \$ (5,116) |
| Interest income from leases receivable | 35,097 |
| Net cash provided (used) by investing activities | \$ 29,981 |
| Increase (decrease) in cash and cash equivalents | \$ (45,201) |
| Cash and cash equivalents at beginning of year (including \$602,111 restricted cash) | 763,278 |
| Cash cash equivalents at end of year (including \$588,518 restricted cash) | \$ 718,077 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | |
| Operating income (loss) | \$ 2,543,315 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation | 817,095 |
| Noncash issuance of loan receivable | (1,858,807) |
| (Increase) decrease in accounts receivables | (926,803) |
| (Increase) decrease in interest receivables | 59,264 |
| (Increase) decrease in rent receivables | 2,875 |
| (Increase) decrease in prepaid expenses | (13,653) |
| Increase (decrease) in unearned revenue | (18,811) |
| Increase (decrease) in operating accounts payable | 133,508 |
| Increase (decrease) in tenant deposits | (7,348) |
| Increase (decrease) in deferred inflows of resources | (449,122) |
| Net cash provided by (used for) operating activities | \$ 281,513 |
| Noncash investing, capital, and financing activities: | |
| Noncash loan receivable issuance | (1,858,807) |
| Noncash transfer of capital assets from County (gross value) | 2,005,322 |
| Noncash transfer of capital assets from County (accumulated depreciation) | (1,854,918) |

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements
At June 30, 2022

NOTE 1-ORGANIZATION, DESCRIPTION OF THE ENTITY:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements 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 its reporting entity. These financial statements present Economic Development Authority of Pulaski, Virginia, a component unit of Pulaski, Virginia.

The Economic Development Authority of Pulaski, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors on September 26, 1967 pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 Et. Seq., of the Code of Virginia (1950), as amended). The Authority is governed by seven directors appointed by the Board of Supervisors of Pulaski County, Virginia. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for which facilities are constructed. Collection of 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 or sale of the facilities constructed and may be secured by a deed of trust on those facilities.

A. Financial Reporting Entity

For financial reporting purposes, in conformance with the principles of the Governmental Accounting Standards Board, the Economic Development Authority of Pulaski County, Virginia is a component unit of the County of Pulaski, Virginia. The Authority is classified as a component unit because its members are appointed by the Board of Supervisors and the County provides significant funding to the Authority; thus, the County is financially accountable for the Authority. The Authority is reported as a discretely presented component unit in the County's financial report.

B. Basic Financial Statements

Pass-through Financing Leases - Most activities of the Authority represent pass-through leases. These agreements provide for periodic rental payments in amounts which are equal to the principal and interest payments due to project bondholders. The Authority has assigned all rights to the rental payments to the trustees of the bondholders and the lessees have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority recognizes associated assets, liabilities, and rental income or interest expense in its financial statements.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Cash and Cash Equivalents

For purposes of the statement of cash flows and the balance sheet, cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. No allowance was considered necessary as of June 30, 2022.

C. Unearned Revenue

Contributions are recognized as income of the Authority when the activities for which the contributions were designated have been completed. Rent payments received in advance are reported as unearned revenue.

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets 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, 2022.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 has one item that qualifies for reporting in this category which is related to leases.

E. Leases

The Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Authority recognizes leases receivable and deferred inflows of resources in the financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Leases (Continued)

Key estimates (continued)

The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

F. Net Position

For proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable 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 included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

G. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and 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 acquisition 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 the asset’s life are not capitalized.

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

Property, plant, equipment, and infrastructure of the Authority are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Type</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20-40 |
| Machinery and equipment | 4-30 |

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

NOTE 3-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 (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.

Investments

Statutes authorize local governments and other public bodies 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), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). The Authority does not have an investment policy.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
 (A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
 Notes to Financial Statements (Continued)
 At June 30, 2022

NOTE 3-DEPOSITS AND INVESTMENTS: (Continued)

Investments (Continued)

The Authority’s rated debt investments at June 30, 2022 were rated by Standard & Poor and the ratings are presented below using the Standard & Poor’s rating scale.

| Authority’s Rated Debt Investment Value | |
|--|-----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | AAAm |
| Money Market Mutual Fund | <u>\$ 506,933</u> |

Custodial Credit Risk

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mutual funds are not considered to have custodial credit risk. The Authority invests only in those investments authorized by the *Code of Virginia*. Therefore, the custodial credit risk is minimized.

Concentration of Credit Risk

If certain investments in any one issuer represent 5 percent of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Therefore, the Authority does not have any investments for this disclosure requirement.

Interest Rate Risk

The Authority manages its exposure to declines in fair values by limiting the maturity of its investments.

NOTE 4-FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2022

NOTE 4-FAIR VALUE MEASUREMENTS: (Continued)

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2022:

| | <u>Fair Value</u> | <u>Level 1</u> |
|--------------------------|-------------------|-------------------|
| Money Market Mutual Fund | <u>\$ 506,933</u> | <u>\$ 506,933</u> |

NOTE 5-CAPITAL ASSETS:

A summary of changes in capital assets is presented as follows:

| | <u>Beginning Balance</u> | <u>GASB 87 Restatement</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------------------|-----------------------|---------------------|---------------------------|
| Business-Type Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 2,647,346 | \$ 92,000 | \$ 39,240 | \$ (613,376) | \$ 2,165,210 |
| Total capital assets not being depreciated | <u>\$ 2,647,346</u> | <u>\$ 92,000</u> | <u>\$ 39,240</u> | <u>\$ (613,376)</u> | <u>\$ 2,165,210</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | \$ 24,307,331 | \$ 1,858,000 | \$ 1,971,975 | \$ (26,500) | \$ 28,110,806 |
| Machinery and equipment | 232,253 | - | 64,974 | - | 297,227 |
| Total capital assets being depreciated | <u>\$ 24,539,584</u> | <u>\$ 1,858,000</u> | <u>\$ 2,036,949</u> | <u>\$ (26,500)</u> | <u>\$ 28,408,033</u> |
| Accumulated depreciation: | | | | | |
| Buildings and improvements | \$ (10,573,263) | \$ (1,021,900) | \$ (2,656,616) | \$ 12,856 | \$ (14,238,923) |
| Machinery and equipment | (204,033) | - | (15,397) | - | (219,430) |
| Total accumulated depreciation | <u>\$ (10,777,296)</u> | <u>\$ (1,021,900)</u> | <u>\$ (2,672,013)</u> | <u>\$ 12,856</u> | <u>\$ (14,458,353)</u> |
| Total capital assets being depreciated, net | <u>\$ 13,762,288</u> | <u>\$ 836,100</u> | <u>\$ (635,064)</u> | <u>\$ (13,644)</u> | <u>\$ 13,949,680</u> |
| Business-Type Activities capital assets, net | <u>\$ 16,409,634</u> | <u>\$ 928,100</u> | <u>\$ (595,824)</u> | <u>\$ (627,020)</u> | <u>\$ 16,114,890</u> |

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2022

NOTE 6-CONTINGENCIES AND EVENTS OF DEFAULT:

Although obligations under the revenue bonds issued to date are secured by lease proceeds and the underlying properties, the Authority retains no liability on pass-through leases. However, the Authority and the Board of Supervisors of Pulaski County, Virginia, may choose, at their option, to assume responsibility for the bonds in the event of default by lessees to preserve the credit rating of the Authority for future issues.

NOTE 7- LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2022:

| | <u>Beginning Balance</u> | <u>Issuances</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|---------------------|-----------------------|---------------------------|
| Direct Borrowings and Placements: | | | | |
| Revenue bonds | \$ 18,408,434 | \$ 452,117 | \$ (965,534) | \$ 17,895,017 |
| Notes payable | 8,471,395 | - | (2,316,360) | 6,155,035 |
| Bonds payable | 2,126,300 | - | (282,600) | 1,843,700 |
| Loans payable | 1,691,480 | 2,600,000 | (1,691,480) | 2,600,000 |
| Revenue bonds | 4,950,000 | - | (260,000) | 4,690,000 |
| Unamortized bond discounts | (7,012) | - | 390 | (6,622) |
| Total | <u>\$ 35,640,597</u> | <u>\$ 3,052,117</u> | <u>\$ (5,515,584)</u> | <u>\$ 33,177,130</u> |

Annual requirements to amortize long-term obligations and related interest are as follows:

| <u>Year Ending June 30,</u> | <u>Direct Borrowings and Placements</u> | | | |
|---------------------------------|---|---------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 1,733,463 | \$ 1,291,424 | \$ 270,000 | \$ 233,707 |
| 2024 | 1,810,949 | 1,213,897 | 280,000 | 223,112 |
| 2025 | 3,178,921 | 1,072,567 | 295,000 | 211,705 |
| 2026 | 1,919,457 | 977,755 | 305,000 | 199,097 |
| 2027 | 2,003,961 | 890,937 | 315,000 | 185,604 |
| 2028-2032 | 11,465,168 | 2,853,796 | 1,195,000 | 726,970 |
| 2033-2037 | 5,600,469 | 536,390 | 1,375,000 | 405,812 |
| 2038-2042 | 781,364 | 56,313 | 655,000 | 53,212 |
| Totals | <u>\$ 28,493,752</u> | <u>\$ 8,893,079</u> | <u>\$ 4,690,000</u> | <u>\$ 2,239,219</u> |

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2022

NOTE 7- LONG-TERM OBLIGATIONS: (Continued)

Details of long-term obligations:

| | <u>Interest Rate(s)</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Original Issue</u> | <u>Business-Type Activities</u> | <u>Due Within One Year</u> |
|--|-----------------------------|-----------------------|--------------------------|---------------------------|-------------------------------------|--------------------------------|
| Direct Borrowings and Placements: | | | | | | |
| Revenue Bonds: | | | | | | |
| 2018B - \$10M Phoenix Packaging | 5.25% (A) | 5/30/2018 | 2035 | \$ 10,000,000 | \$ 8,990,287 | \$ 504,692 |
| 2018C - \$6M Phoenix Packaging | 5.25% (A) | 5/30/2018 | 2035 | 6,000,000 | 5,394,167 | 302,816 |
| 2018A - \$4M Phoenix Packaging | 5.25% (B) | 5/30/2018 | 2035 | 4,000,000 | 3,510,563 | 207,021 |
| Total Revenue Bonds | | | | | <u>\$ 17,895,017</u> | <u>\$ 1,014,529</u> |
| Notes Payable: | | | | | | |
| Hiwassee FD | 2.47% | 12/6/2013 | 2027 | 293,900 | \$ 143,516 | \$ 27,303 |
| VSFBA PADS Loan | 2.44% | 6/28/2016 | 2026 | 175,000 | 90,706 | 17,687 |
| VSFBA Koinonia Loan (C), (D) | 4.12% | 7/2/2019 | 2030 | 2,000,000 | 1,926,357 | 68,601 |
| First Bank Koinonia | 5.35% | 7/1/2019 | 2024 | 1,565,000 | 1,446,798 | 50,982 |
| Phoenix Packaging - VSBFA | 4.12% | 5/13/2019 | 2029 | 2,000,000 | 1,759,228 | 108,346 |
| VSFBA Phoenix Loan | 4.12% | 3/17/2020 | 2030 | 1,000,000 | 788,430 | 57,876 |
| Total Notes Payable | | | | | <u>\$ 6,155,035</u> | <u>\$ 330,795</u> |
| Bonds Payable: | | | | | | |
| Dublin Elem. School | 2.37% | 10/1/2015 | 2028 | \$ 3,443,000 | \$ 1,843,700 | \$ 289,400 |
| Loans Payable: | | | | | | |
| Innovation Center Loan Payable | (E) | 6/30/2022 | 2042 | 2,600,000 | \$ 2,600,000 | \$ 98,739 |
| Total Direct Borrowings and Placements | | | | | <u>\$ 28,493,752</u> | <u>\$ 1,733,463</u> |
| Revenue Bonds: | | | | | | |
| Commerce Park Refinance | 0.77-5.38% | 6/27/2013 | 2039 | \$ 6,810,000 | \$ 4,690,000 | \$ 270,000 |
| Unamortized Discount | n/a | 6/27/2013 | 2039 | (10,132) | (6,622) | (390) |
| Total Revenue Bonds | | | | | <u>\$ 4,683,378</u> | <u>\$ 269,610</u> |
| Total | | | | | <u>\$ 33,177,130</u> | <u>\$ 2,003,073</u> |

(A) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.75%.

(B) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.875%.

(C) Loan is in the drawdown phase still and any amounts due in the next year could change as a result of subsequent issuances.

(D) Amounts are in a 6-month deferral period commencing in March 2020. Payments will resume in October 2020, interest will continue to accrue during this time and will be added to the unpaid principal upon maturity.

(E) 2.83% fixed for the first 7 years then adjusted every 5 years thereafter. Will not change by more than 1.5% per change, nor by more than 2% over the life of the loan. The floor interest rate is 2.83%.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2022

NOTE 7- LONG-TERM OBLIGATIONS: (Continued)

The direct bonds and notes payable are collateralized by the underlying real and personal property purchased using proceeds of the issuances. In the event of default, the issuer can declare the entire unpaid principal and interest balances due on direct borrowings and placements immediately due and payable.

The rural development loan payable requires the establishment and funding of a debt reserve account equal to 10% of the annual payments until reserves are sufficient to cover one year of payments. The entity is considered to have sufficient funds on hand to meet the reserve requirements.

NOTE 8-DUE TO COUNTY OF PULASKI:

As of June 30, 2022, \$500,000 is due to the County related to a 1990 revenue bond originally due April 15, 2005. No firm repayment schedule has been set by the Board of Supervisors for this obligation. An additional amount of \$330,795 is reported as due to Pulaski County for internal pooled cash fluctuations and timing differences.

NOTE 9-NOTES RECEIVABLE:

At June 30, 2022, the Authority had the following notes receivable:

| Due From | Fiscal Year Due | Interest Rate | Principal Outstanding | Amount Due Within One Year |
|-----------------------------------|--------------------|---------------|--------------------------|-------------------------------|
| Hiwasee Fire Department | 2027 | 2.47% | \$ 143,516 | \$ 27,303 |
| Phoenix Packaging | 2025 | 3.00% | 168,598 | 56,294 |
| Phoenix - Loan 2018A | 2035 | (A) | 3,527,406 | 207,021 |
| Phoenix - Loan 2018B | 2035 | (B) | 9,031,703 | 502,465 |
| Phoenix - Loan 2018C | 2035 | (B) | 5,419,017 | 301,479 |
| Phoenix Packaging-VSBFA | 2029 | 4.12% | 1,769,354 | 108,346 |
| Phoenix Packaging-VSBFA | 2030 | 4.12% | 803,055 | 57,481 |
| Commerce Park | 2040 | 0.00% | 4,690,000 | 270,000 |
| Pulaski County | 2028 | 2.50-5.25% | 1,843,700 | 289,400 |
| Pulaski Adult Day Services | 2026 | 2.44% | 98,145 | 17,568 |
| West Main Development | 2028 | 5.00% | 36,194 | 5,323 |
| West Main Development #2 | 2024 | 4.00% | 50,000 | - |
| Falls Stamping | 2036 | 5.00% | 1,809,514 | 87,913 |
| Phoenix Packaging Operations, LLC | 2028 | 0.00% | 887,500 | 150,000 |
| | | | \$ 30,277,702 | \$ 2,080,593 |

(A) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.875%.

(B) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.75%.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2022

NOTE 10-LEASES RECEIVABLE:

The following is a summary of lessor activity of the Authority for the year ended June 30, 2022:

| | <u>Beginning Balance</u> | <u>GASB 87 Adjustment</u> | <u>Issuances</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|-------------------|------------------------------|-------------------------------|------------------|--------------------|---------------------------|
| Leases receivable | \$ - | \$ 2,131,750 | \$ - | \$ (432,833) | \$ 1,698,917 |

Lease revenue recognized during the year totaled \$449,122.

Details of leases receivable are as follows:

| <u>Lease Description</u> | <u>Lease Origination Date*</u> | <u>End Date</u> | <u>Payment Frequency</u> | <u>Discount Rate</u> | <u>Ending Balance</u> | <u>Amount Due Within One Year</u> |
|--------------------------|------------------------------------|-----------------|------------------------------|--------------------------|---------------------------|---------------------------------------|
| Building lease 1 | 1/1/2020 | 2025 | Monthly | 2.00% | \$ 93,879 | \$ 36,990 |
| Building lease 2 | 10/31/2017 | 2028 | Monthly | 2.00% | 114,378 | 19,740 |
| Building lease 3 | 11/1/2020 | 2024 | Monthly | 2.00% | 285,538 | 213,439 |
| Building lease 4 | 3/1/2014 | 2030 | Monthly | 2.00% | 1,205,122 | 170,694 |
| Total | | | | | <u>\$ 1,698,917</u> | <u>\$ 440,863</u> |

There are no variable payments for any of the leases shown above.

*Date shown is the original lease commencement date. GASB Statement No. 87 was implemented as of July 1, 2021.

NOTE 11-LITIGATION:

As of June 30, 2022, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should a court decision on pending matters not be favorable.

NOTE 12-ADOPTION OF ACCOUNTING PRINCIPLE:

The Authority implemented provisions of Governmental Accounting Standards Board Statement No. 87, *Leases* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the leases.

| | |
|--|----------------------|
| Restatement of beginning net position: | |
| Net position, as previously reported | \$ 12,290,092 |
| Lessor activity: | |
| Record capital asset NBV (previously removed as a capital lease) | 928,100 |
| Removed capital lease receivable | (1,204,318) |
| Total restatements | <u>(276,218)</u> |
| Net position, as restated | <u>\$ 12,013,874</u> |
| Implementation adjustments as of July 1, 2021: | |
| Leases receivable | \$ 2,131,750 |
| Deferred inflows of resources - lease related | <u>\$ 2,131,750</u> |

NOTE 13-UPCOMING PRONOUNCEMENTS:

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

COMPLIANCE SECTION



**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 Pulaski County
Pulaski, 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 the Economic Development Authority of Pulaski County (the Authority), a component unit of the County of Pulaski, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 13, 2023.

Report on 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) as a basis for designing 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Report 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 financial statements. 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*.

Pulaski County Economic Development Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, Jarrett, Cox, Associates

Blacksburg, Virginia

April 13, 2023

Pulaski County Economic Development Authority

Schedule of Findings and Responses
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|---------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: Material weakness(es) identified? | Yes |
| Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

Section II - Financial Statement Findings

| 2022-001 | Material Weakness |
|------------------------|--|
| Criteria: | Per auditing standards, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls. |
| Condition: | The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements. |
| Effect: | There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting. |
| Cause: | The Authority does not have proper controls in place to detect and correct adjustments in closing their year end financial statements. |
| Recommendation: | The Authority should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit. |
| Management's Response: | The Authority will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year. |

Pulaski County Public Service Authority

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

2021-001

- Condition: The financial statements as presented for audit, did not contain any activity related to the transfer of operations from the New River Valley Development Corporation.
- Recommendation: The assets and liabilities resulting from the transfer of operations should be incorporated in the Authority's ledger.
- Current Status: Finding 2021-001 was resolved during the current year.

2021-002

- Condition: Activity for the bank account was not reported in the ledger and there was no evident review of the bank statements or balances throughout the year related to accounts transitioned from the New River Valley Development Corporation transfer of operations.
- Recommendation: Bank reconciliations related to the New River Valley Development Corporation transfer of assets should be prepared monthly under the same control process as other Authority bank accounts.
- Current Status: Finding 2021-002 was resolved during the current year.