



Certified Public Accountants, A.C.

**JEFFERSON COUNTY DEVELOPMENT AUTHORITY
(A Component Unit of Jefferson County Commission)
Regular Audit
For the Year Ended June 30, 2018**

**RFP# 17-272
Jefferson County**

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Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
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740 695 1569

1310 Market St., #300
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749 Wheeling Ave., #300
Cambridge, OH 43725
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**JEFFERSON COUNTY DEVELOPMENT AUTHORITY
(A Component Unit of Jefferson County Commission)**

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INDEPENDENT AUDITOR'S REPORT

November 9, 2018

Jefferson County Development Authority
P.O. Box 237
Charles Town, WV 26201

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Jefferson County Development Authority**, (the Authority), a component unit of the Jefferson County Commission, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the 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 9, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Authority's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	718,862
Accounts receivable		31,948
Due from employee		740
Prepaid expenses		<u>420</u>
Total current assets		<u>751,970</u>

RESTRICTED ASSETS

Cash - Agriculture Development and Coalbed Severance		<u>34,402</u>
Total restricted assets		<u>34,402</u>

CAPITAL ASSETS

Furniture, fixtures, and equipment		38,682
Less accumulated depreciation		<u>(29,824)</u>
Total capital assets, net of accumulated depreciation		<u>8,858</u>

OTHER ASSETS

Land and development		6,234,901
Intangible assets, net of accumulated amortization		<u>3,185</u>
Total other assets		<u>6,238,086</u>
Total assets	\$	<u>7,033,316</u>

See accompanying notes to the financial statements.

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
STATEMENT OF NET POSITION (continued)
June 30, 2018

LIABILITIES

CURRENT LIABILITIES

Notes payable - current	\$ 143,595
Accounts payable - trade	2,434
Accrued interest payable	<u>442,415</u>
Total current liabilities	<u>588,444</u>

LONG-TERM LIABILITIES

Notes payable	<u>4,506,266</u>
Total long-term liabilities	<u>4,506,266</u>
Total liabilities	<u>5,094,710</u>

NET POSITION

Net investment in capital assets	8,858
Restricted for Agriculture Development and Coalbed Severance	34,402
Unrestricted	<u>1,895,346</u>
Total net position	<u>1,938,606</u>
Total liabilities and net position	<u>\$ 7,033,316</u>

See accompanying notes to the financial statements.

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
For the year ended June 30, 2018

OPERATING SUPPORT AND REVENUES

Support from Jefferson County Commission	\$	453,626
Support from West Virginia Small Business Development Center		22,932
Other income		20,000
Rural Innovation Forum		6,110
		6,110
Total operating support and revenues		502,668

OPERATING EXPENSES

Salaries		243,571
Employee benefits		104,055
WVSBDC expenses		74,678
Advertising/marketing		17,300
Professional fees		15,907
Amortization		14,114
Travel		13,366
Computer services		6,496
Rural Innovation Forum		5,475
Meetings		4,147
Insurance		4,094
Supplies		3,604
Telephone		3,469
Depreciation		2,709
Maintenance		2,056
Dues and subscriptions		1,939
Miscellaneous		797
Printing costs		697
Postage		506
Traning		490
EPEF expenses		148
		148
Total operating expenses		519,618
Operating support and revenues less operating expenses		(16,950)

NON-OPERATING SUPPORT AND REVENUES (EXPENSES)

Interest income		6,072
Interest expense		(115,669)
Agriculture Development expenses		(500)
		(500)
Total non-operating support and revenues (expenses)		(110,097)
Change in net position		(127,047)
Net position at beginning of year		2,065,653
Net position at end of year	\$	1,938,606

See accompanying notes to the financial statements.

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
STATEMENT OF CASH FLOWS
For the year ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from support and revenues	\$ 469,980
Cash payments for goods and services	(158,650)
Cash payments for employee services	<u>(347,626)</u>
Net cash provided by operating activities	<u>(36,296)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of equipment	<u>(2,594)</u>
Net cash used in capital and related financing activities	<u>(2,594)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Agricultural Development receipts	<u>(500)</u>
Net cash provided by non-capital and related financing activities	<u>(500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	6,072
Increase in land development costs	<u>(4,104)</u>
Net cash provided by investing activities	<u>1,968</u>
Net increase in Cash and Cash Equivalents	(37,422)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>790,686</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>753,264</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (16,950)
Depreciation	2,709
Amortization	14,114
Increase in accounts receivable	(32,688)
Decrease in prepaid expenses	<u>(3,481)</u>
Net cash provided by operating activities	\$ <u>(36,296)</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Interest paid during the fiscal year	\$ <u>-</u>

See accompanying notes to the financial statements.

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NATURE OF OPERATIONS

The Jefferson County Development Authority (the Authority) was created by order of the Jefferson County Commission on February 15, 1979, for the purpose of promoting, developing, and advancing the business prosperity and economic welfare of Jefferson County, West Virginia and its citizens. The Authority, a component unit of the Jefferson County Commission, is governed by a Board, consisting of fifteen members, which is appointed by the County Commission. The Authority's operations are dependent on financial support provided by the Jefferson County Commission. The Jefferson County Commission directly pays all Authority personnel costs.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial Statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

The Authority's operations are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Authority's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation are included on the statement of net position. The operating statement presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The Authority uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

Cash and Cash Equivalents

Cash on hand and deposits with bank institutions are presented as cash in the accompanying financial statements. For the purpose of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The Authority uses the reserve method of providing for uncollectible accounts. All accounts are thought to be collectible by management, and, accordingly, no reserve has been set up at June 30, 2018.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from three to thirty-nine years.

Compensated Absences

The Authority chooses not to accrue compensated absences due to the immaterial amount involved.

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Equity Classification

Equity is classified as net position and displayed in three components:

- 1) Net Investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted net position - consists of the net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributions, or laws or regulation of other governments; or (2) law through constitutional provision or enabling legislation.
- 3) Unrestricted net position - net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Authority's policy is to spend restricted resources first, when both restricted and unrestricted net position are available.

DEPOSITS

The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at June 30, 2018.

The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its Agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial Institution's trust department of agent but not in the entity's name.

Category 3 - Uncollateralized

	Bank Balance	Category			Carrying Amount
		1	2	3	
Deposits with Financial Institutions	\$ 800,180	\$ 800,180	\$ -	\$ -	\$ 753,264

As of June 30, 2018, the Authority had deposits in checking accounts.

The Authority does not have a policy on custodial credit risk.

RESTRICTED ASSETS

Cash held for Agricultural Development and Coalbed Severance can only be used for certain expenses related to agricultural development and economic development projects, respectively, and are presented in the financial statement as restricted.

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018 consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Depreciable Capital Assets				
Office Equipment	\$ 36,088	\$ 2,594	\$ -	\$ 38,682
Total Depreciable Capital Assets	<u>36,088</u>	<u>2,594</u>	<u>-</u>	<u>38,682</u>
Accumulated Depreciation:				
Office Equipment	\$ (27,115)	\$ (2,709)	\$ -	\$ (29,824)
Total Accumulated Depreciation	<u>(27,115)</u>	<u>(2,709)</u>	<u>-</u>	<u>(29,824)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,973</u>	<u>\$ (115)</u>	<u>\$ -</u>	<u>\$ 8,858</u>

LAND AND DEVELOPMENT

Land held for development includes the purchase cost of the land and all costs necessary to develop the property to marketable condition and consists of the following:

<u>Site</u>	<u>Approximate Acreage</u>	<u>Cost</u>
Burr Industrial Park Phase II	92	\$ 6,234,901

NOTES PAYABLE

On June 15, 2009, the Authority completed an expansion phase of the Burr Industrial Park. Two notes were obtained to help finance the expansion.

The Authority entered into a loan agreement with the West Virginia Economic Development Authority (WVEDA) for \$3,776,327 on June 15, 2009. On June 25, 2013, the Authority entered into a third amended and restated note dated in the amount of \$3,686,367. The note has an interest rate of 4% per annum to be paid over 240 months beginning July 25, 2013 and matures June 2033. The loan is secured by a shared first lien on the real estate. As of December 20, 2017, the Authority elected to defer all principal payments on this loan through November 25, 2018. Interest will continue to accrue during the deferral period. The outstanding balance as of June 30, 2018 is \$2,891,730.

The Authority also entered into a loan agreement with the West Virginia Infrastructure and Jobs Development Council (WV IJDC) for \$2,588,331 on June 15, 2009. The note has an interest rate of 3% per annum. The Authority elected to defer payment of both principal and interest through November 2012 (Note: Interest continued to accrue during the deferral period). During the fiscal year ended June 30, 2012, the Authority made principal payments totaling \$213,653 which brought the principal balance to \$2,374,678. In December 2012, the Authority began making 199 principal and interest payments of \$15,161 per month and matures June 2029. The loan is secured by a shared first lien on the real estate. As of February 12, 2018, the Authority elected to defer all principal and interest payments on this loan until January 31, 2018. Interest does not accrue during the deferral period. The outstanding balance as of June 30, 2017 is \$1,758,131.

The total of principal and interest due on loans during the next five years and in subsequent five-year periods is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Due in fiscal year ending June 30, 2019	\$ 143,595	\$ 140,987	\$ 284,582
Due in fiscal year ending June 30, 2020	294,908	158,587	453,495
Due in fiscal year ending June 30, 2021	305,514	147,981	453,495
Due in fiscal year ending June 30, 2022	316,508	136,986	453,494
Due in fiscal year ending June 30, 2023	327,907	125,588	453,495
Due in fiscal year ending June 30, 2024-2028	1,825,741	441,734	2,267,475
Due in fiscal year ending June 30, 2029-2033	<u>1,435,688</u>	<u>118,290</u>	<u>1,553,978</u>
Total	<u>\$ 4,649,861</u>	<u>\$ 1,270,153</u>	<u>\$ 5,920,014</u>

Jefferson County Development Authority
(A Component Unit of Jefferson County Commission)
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2018

INTANGIBLE ASSETS

Intangible assets represents website design and cloud migration costs and are being amortized on a straight line basis over a 3 year period.

RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended June 30, 2018, the Authority was provided coverage through the West Virginia Counties Self Insurance Pool.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

CONTINGENCIES

- A. Jefferson County Development Authority receives a substantial amount of support from state and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on the Authority's programs and activities.
- B. The Jefferson County Commission pays all payroll and payroll related expenses of the Authority. The Authority records all such payments in their Statement of Revenues, Expenses, and Change in Net Position as revenue from the Jefferson County Commission and as payroll and payroll related expenses. A significant reduction in this level of support, if such were to occur, would have a material effect on the Authority's programs and activities.

DONATED FACILITIES

Contributions of donated facilities are recorded at their fair values in the period received based on comparable values of like facilities in the surrounding area. Donated values for the office space has not been reflected in the financial statements due to the fact that the fair value has not been determined.

SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 9, 2018, the date the financial statements were available to be issued.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

November 9, 2018

Jefferson County Development Authority
P.O Box 237
Charles Town, WV 25414

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Jefferson County Development Authority** (the Authority), a component unit of the Jefferson County Commission, 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 November 9, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. *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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated November 9, 2018.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio