Mineral County

RFP #17-308

Mineral County Development Authority

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2018

Ferrari & Associates, PLLC
1340 Cain Street | Morgantown, WV 26505

MINERAL COUNTY DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2018

Introductory Section

MINERAL COUNTY DEVELOPMENT AUTHORITY
BOARD MEMBERS
For the Fiscal Year Ended June 30, 2018

OFFICE	NAME	TERM ENDS
Board Members:		
President:	Robert Eagle	6/30/2020
Vice President:	John Lusk	6/30/2019
Secretary:	Shelly Friend	6/30/2019
Treasurer:	Lucas Taylor	6/30/2020
Members at large:	Dorrin Armentrout	6/30/2019
	Tom Braithwaite	6/30/2020
	Thomas Butcher	6/30/2020
	Terry Liller	6/30/2019
	Anne Palmer	6/30/2019
	Tanya Ryan	6/30/2020
	Benjamin Smith	6/30/2020
	Scott Staley	6/30/2019
	Richard Lechliter	12/31/2019
Executive Director:	Kevin Clark	

Financial Section

Ferrari & Associates, PLLC
1340 Cain Street | Morgantown, WV 26505

Independent Auditor's Report

Honorable Members of the Board
Mineral County Development Authority
Keyser, West Virginia 26726

Report on the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mineral County Development Authority as of June 30, 2018, 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

The Authority's 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 Information

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018, on our consideration of the Authority'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 the Authority's internal control over financial reporting and compliance.

Ferrari & Associates, PLLC

Morgantown, West Virginia
October 11, 2018

MINERAL COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2018

ASSETS		
Current assets:		
Cash and cash equivalents	$	915,006
Notes receivable		7,165
Prepaid expenses		13,207
Total current assets		**935,378**
Capital assets:		
Nondepreciable:		
Land		508,808
Depreciable:		
Buildings		2,000,000
Land improvements		1,385,078
Equipment		35,991
Less accumulated depreciation		(1,764,378)
Total capital assets		**2,165,499**
Total assets	**$**	**3,100,877**
LIABILITIES		
Current liabilities:		
Accounts payable	$	2,220
Payroll liabilities		619
Notes payable, due within one year		424,469
Accrued interest on notes payable		29,497
Total current liabilities		**456,805**
Noncurrent liabilities:		
Notes payable, due in more than one year		704,648
Total noncurrent liabilities		**704,648**
Total liabilities		**1,161,453**
NET POSITION		
Invested in capital assets, net of related debt		1,006,885
Unrestricted		932,539
Total net position		**1,939,424**
Total liabilities and net position	**$**	**3,100,877**

MINERAL COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2018

Operating revenues:		
Lease income	$	669,884
Operating grants and contributions:		
Public		745,887
State		20,000
Local		30,000
Miscellaneous revenues		9,212
Total operating revenues		**1,474,983**
Operating expenses:		
Personnel costs		118,123
Insurance		4,188
Real estate taxes		5,304
Utilities		30,881
Repairs and maintenance		12,731
Professional fees		36,539
Supplies		2,299
Travel and training		9,780
Contractual services		8,523
Rent expense		5,400
Depreciation		51,800
Miscellaneous expenses		12,287
Total operating expenses		**297,855**
Operating income		**1,177,128**
Nonoperating revenues (expenses):		
Interest expense		(26,029)
Interest income		4,518
Total nonoperating revenues (expenses)		**(21,511)**
Change in net position		**1,155,617**
Net position - beginning of year		**783,807**
Net position - end of year	**$**	**1,939,424**

MINERAL COUNTY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from support and revenue	$ 1,479,444
Cash paid for goods and services	(138,919)
Cash paid for employees	(117,504)
Net cash provided by operating activities	1,223,021
Cash flows from investing activities:	
Interest received	4,518
Net cash provided by investing activities	4,518
Cash flows from capital and related financing activities:	
Principal paid on debt	(575,951)
Purchases of equipment	(35,991)
Proceeds from sale of land	45,290
Interest paid on debt	(26,029)
Net cash provided (used) by capital and related financing activities	(592,681)
Net increase in cash and cash equivalents	634,858
Cash and cash equivalents, June 30, 2017	280,148
Cash and cash equivalents, June 30, 2018	$ 915,006
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	$ 1,177,128
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	51,800
Decrease in notes receivable	4,461
(Increase) in prepaid expenses	(13,207)
Increase in accounts payable	2,220
Increase in payroll payable	619
Net cash provided by operating activities	$ 1,223,021

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the presentation of the financial report of Mineral County Development Authority (Authority) have been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Mineral County Development Authority, a component unit of the Mineral County Commission, is governed by a president, vice president, treasurer and secretary who are appointed by the Authority and Board members who are approved by the Mineral County Commission The Authority is a discretely presented component unit of the Mineral County Commission based upon the criteria stipulated in GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34"*. The Authority encourages and assists business prosperity through assistance with loans, investments, money, land and industrial sites, technical assistance, or other business transactions in locating business and industry in the County and works to rehabilitate and assist existing businesses and industries within the County, results of which provide maximum opportunities for employment, encourage thrift, and improve the standard of living of the citizens of the County. It is a public body created pursuant to the laws of the State of West Virginia and, as such, is not subject to federal or state income tax.

B. Fund Financial Statements

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements.

The financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all activities of the Authority. Business-type activities rely to a significant extent on fees and charges for support.

The statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. The Authority has no long-term investments.

2. Receivables and Payables

All accounts receivable and accounts payable, if any, are shown at the gross amount due.

3. Capital Assets and Depreciation

Capital assets are defined by the Authority as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful life of the assets, as follows: buildings - 40 years, land improvements - 15 years, equipment -5 years.

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

4. Compensated Absences

It is the Authority's policy to require employees to use all earned vacation time by the end of the year; therefore no liability is reported for vacation leave. No liability is reported for unpaid accumulated sick leave.

5. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statement of net position.

6. Net Position

Net Position is displayed in three components:

a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislature.

c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

The Authority has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of net position classification, expenses are to be paid from restricted net position first, and then unrestricted net position.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE II – DETAILED NOTES ON ALL FUNDS

A. Deposits

For deposits, the Authority could be exposed to risk in the event of a bank failure where the Authority's deposits may not be returned. 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 – Insured or Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uninsured or Uncollateralized.

	Bank Balance	Category 1	Category 2	Category 3
Total amount	$ 922,434	$ 401,581	$ 520,853	$ -

B. Receivables

Note Receivable

The Mineral County Industrial Development Corporation (MCIDC), which was dissolved in a prior year, transferred all assets including a note receivable to the Authority due from United Disposal Service, Inc. The balance of the note receivable due to the Authority at June 30, 2018 was $7,165.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 554,098	$ -	$ (45,290)	$ 508,808
Total capital assets, not being depreciated	554,098	-	(45,290)	508,808
Capital assets being depreciated:				
Buildings	2,000,000	-	-	2,000,000
Land improvements	1,385,078	-	-	1,385,078
Equipment	-	35,991	-	35,991
Less: accumulated depreciation	(1,712,578)	(51,800)	-	(1,764,378)
Total capital assets being depreciated, net	1,672,500	(15,809)	-	1,656,691
Business-type activities capital assets, net	$ 2,226,598	$ (15,809)	$ (45,290)	$ 2,165,499

D. Long-term Debt

Long-term debt at June 30, 2018 consisted of the following:

West Virginia Infrastructure and Jobs Development Council (WVIJDC) $432,229 loan dated September 22, 1998, 0% interest until September 30, 2003, then 3% interest until September 1, 2008; then Wall Street Journal prime less 3%, ceiling of 4.5%, until September 1, 2013, then Wall Street Journal prime less 3%, ceiling of 6% until maturing March 2019; secured by real estate, and expected to be retired when the Authority sells the associated assets. Payment of principle and interest has been deferred until February 28, 2019. The loan has accumulated interest of $15,497.	$ 296,692
West Virginia Infrastructure and Jobs Development Council (WVIJDC) $400,000 loan dated September 12, 2006, 3% interest until September 1, 2017, then 4.5% interest until maturity during September 2026; secured by real estate, and expected to be retired when the Authority sells the associated assets. Payment of principle and interest has been deferred until February 28, 2018. The loan has accumulated interest of $14,000.	$ 400,000
West Virginia Economic Development Authority, (WVEDA) loan of $1,000,000 dated March 10, 2018, at an interest rate of 3.35%. Payments began in April of 2017 and continue monthly until maturity during March 2022; secured by real estate.	$ 432,425
Total	$ 1,129,117

Debt service requirements for the years subsequent to June 30, 2018 are as follows:

Year Ended	Principal	Interest
2019	$ 424,469	$ 48,240
2020	163,115	25,301
2021	169,220	19,197
2022	133,597	13,035
2023	53,286	9,652
2024 – 2027	185,430	13,872
Totals	$ 1,129,117	$ 129,297

Changes in Long-Term Liabilities

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 1,705,068	$ -	$ (575,951)	$ 1,129,117	$ 424,469
Accrued interest	29,497	-	-	29,497	29,497
Business-type activities Long-term liabilities	$ 1,734,565	$ -	$ (575,951)	$ 1,158,614	$ 453,966

NOTE III – OTHER INFORMATION

A. 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, and natural disasters. The Authority is covered with an insurance policy as a member of the West Virginia Counties Group Self Insurance Risk Pool.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Contingent Liabilities

It is the opinion of the Authority’s counsel that there are no material pending lawsuits or unasserted claims against the Authority.

In the normal course of operations, the Authority receives grant funds from various Federal, State and Local agencies. The grant programs are subject to audit by agents of the granting authority for the purpose of ensuring compliance with the conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management believes it has complied with all grant requirements in the determination of revenues and expenses.

NOTE IV – SUBSEQUENT EVENTS

The Authority's management has evaluated the effect that subsequent events would have on the Authority's financial statements through October 11, 2018, which is the date the financial statements were available to be released.

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Accompanying Information

Ferrari & Associates, PLLC
1340 Cain Street | Morgantown, WV 26505

Independent Auditor's 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*

Honorable Members of the Board
Mineral County Development Authority
Keyser, West Virginia 26726

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities of the Mineral County Development Authority (Authority) 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 October 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. See finding 2018-01.

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Ferrari & Associates, PLLC

Morgantown, West Virginia
October 11, 2018

2018-01 Segregation of Duties

Condition – It was noted that the responsibilities for approving, executing, and recording transactions and custody of the resulting asset arising from the transactions were not assigned to different individuals.

Criteria – Proper internal control dictates responsibility for approving, executing, and recording transactions should rest with different individuals. Custody of resulting assets should also be assigned to individuals with no responsibilities in the above areas. To the extent possible with limited personnel, different individuals should open bank statements, prepare checks, sign checks, approve bank reconciliations, prepare the daily cash reports, and make deposits.

Cause – Due to the size of the Authority's staff, the Authority has does not have enough personnel to fully segregate duties.

Effect – Internal control structure elements do not reduce to a relatively low level the risk that errors and irregularities, in amounts that would be material in relation to the financial statements, may occur and not be detected in a timely manner.

Recommendation – Responsibilities of approval, execution, recording and custody should be distributed among the Authority's officials to the best degree possible.

Authority's Response – The Authority will segregate duties to the extent that is economically feasible.

MINERAL COUNTY DEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018

Status of Prior Year Audit Findings

Finding Number	Title	Status
2017-01	Segregation of Duties	Not resolved
2017-02	Uninsured/Uncollateralized Deposits	Resolved