
**CARROLL-GRAYSON-GALAX
REGIONAL INDUSTRIAL FACILITIES AUTHORITY**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Charlottesville ♦ Blacksburg ♦ Richmond ♦ Staunton ♦ Fredericksburg

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

To the Board of the Carroll-Galax-Grayson Industrial Facilities Authority

We have audited the financial statements of the business-type activities, and the aggregate remaining fund information of Carroll-Grayson-Galax Regional Industrial Facilities Authority for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 7, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carroll-Grayson-Galax Regional Industrial Facilities Authority are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Carroll-Grayson-Galax Regional Industrial Facilities Authority's financial statements was:

Management's estimate of the useful lives of its assets which is based on historical data. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of the Authority's assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Authority's note payable in Note D to the financial statements is considered sensitive due to the material amount it represents in the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Blacksburg Office

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, to the opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board and management of Carroll-Grayson-Galax Regional Industrial Facilities Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Robinson, Farmer, Cox Associates

blacksburg Office

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**CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES
AUTHORITY
FINANCIAL REPORT
Year Ended June 30, 2013**

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of the Board
Carroll-Grayson-Galax Regional Industrial Facilities Authority
Galax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Carroll-Grayson-Galax Regional Industrial Facilities Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Carroll-Grayson-Galax Regional Industrial Facilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States¹; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Carroll-Grayson-Galax Regional Industrial Facilities Authority, as of June 30, 2013, and the respective 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.

Emphasis of Matter

As described in Note B to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matter

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 October 7, 2013, on our consideration of the Carroll-Grayson-Galax Regional Industrial Facilities 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 Carroll-Grayson-Galax Regional Industrial Facilities Authority's internal control over financial reporting and compliance.

Roberson, Seamer, Co. Associates

Blacksburg, Virginia
October 7, 2013

BASIC FINANCIAL STATEMENTS

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CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
 STATEMENT OF NET POSITION
 For the Year Ended June 30, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 306,335
Total Current Assets	\$ 306,335

Other Assets:

Land options	\$ 7,800
Land Held for Resale	6,657,693
Total Other Assets	\$ 6,665,493

Capital Assets:

Buildings	\$ 386,000
Equipment	7,880
Vehicles	42,396
Construction in Progress	1,014,071
Accumulated Depreciation	(112,213)

Net Capital Assets \$ 1,338,134

Total Assets \$ 8,309,962

LIABILITIES AND NET POSITION

Current Liabilities:

Accrued interest	\$ 7,624
Accounts payable	20,461
Note payable, current portion	75,097

Total Current Liabilities \$ 103,182

Long-term Liabilites:

Note payable, net of current portion	\$ 5,081,622
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Total Liabilities \$ 5,184,804

Net Position:

Investment in capital assets	\$ 1,338,134
Unrestricted	1,787,024

Total Net Position \$ 3,125,158

Total Liabilities and Net Position \$ 8,309,962

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

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

Operating Revenues		
Grant income	\$	887,116
Total Operating Revenue	\$	887,116
Operating Expenses		
Salary expenses	\$	63,540
Fringe benefits		21,612
Professional fees		12,707
Advertising		2,789
Dues		295
Rent		3,000
Office expense		4,889
Training		590
Special Events		417
Miscellaneous		6,109
Depreciation		86,993
Insurance		5,741
Travel		5,028
Total Operating Expenses	\$	213,710
Net Operating Income	\$	673,406
Other nonoperating revenues (expenses):		
Interest expense	\$	(261,416)
Interest income		508
Contribution to Fries Fire Department		(1,226,761)
Local government contributions		461,559
Total nonoperating revenue (expenses)	\$	(1,026,110)
Change in net position	\$	(352,704)
Net position, beginning of year		3,477,862
Net position, end of year	\$	3,125,158

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

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Cash flows from operating activities:	
Receipts from grants	\$ 1,065,865
Payments for operating expenses	(129,096)
	\$ 936,769
Cash flows from capital and related financing activities:	
Principal payments on indebtedness	\$ (65,066)
Received from localities	461,559
Interest payments on indebtedness	(261,787)
Purchase of land options	(7,800)
Purchase of capital assets	(753,016)
	(626,110)
Cash flows from investing activities:	
Interest income	\$ 508
	\$ 508
Change in cash and cash equivalents	
	\$ 311,167
Cash and cash equivalents at beginning of year	
	\$ (4,832)
Cash and cash equivalents, at end of year	
	\$ 306,335
Reconciliation of operating income to net cash	
Provided by (used for) operating activities	
Net Operating Income	\$ 673,406
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	86,993
Changes in operating assets and liabilities	
Accounts payable	5,553
Due to participant	(7,932)
Grant receivable	178,749
	\$ 936,769

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

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CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE A - ORGANIZATION, DESCRIPTION OF THE ENTITY, AND ACTIVITIES

The Carroll-Grayson-Galax Regional Industrial Facilities Authority was created as a joint venture between the County of Carroll, County of Grayson, and the City of Galax, Virginia. The Authority works with local businesses within the Twin Counties securing funding to create and preserve jobs, assisting with infrastructure projects, and industrial development.

In addition, the Authority is authorized to secure loans and grant funding for the purpose of obtaining and constructing facilities. Liability under the loans may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. The loans are payable solely from revenues generated from the contributions of the participating localities and may be secured by a deed of trust on those facilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Carroll-Grayson-Galax Regional Industrial Facilities 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.

Basis of Accounting

The Authority uses the accrual basis of accounting. Under this method revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are grants. Operating expenses include the cost of administration and related expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not to be capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the current or previous fiscal year.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	5
Vehicles	5

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.

Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2013.

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirements of this Statement will improve the financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

NOTE C - 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.

At June 30, 2013, the Authority had no investments.

NOTE D - NOTE PAYABLE

The Authority has one outstanding note with National Bank of Blacksburg. At June 30, 2013, the principal balance of the note outstanding was \$5,156,719. Interest payments are based on outstanding balance.

Summary of note payable activity:

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
Note Payable	\$ 5,221,785	\$ -	\$ (65,066)	\$ 5,156,719
Total	\$ 5,221,785	\$ -	\$ (65,066)	\$ 5,156,719

Details of indebtedness:

	Balance at June 30, 2013	Amount Due Within One Year
<u>Note Payable</u>	\$ 5,156,719	\$ 75,097
Total Note Payable	\$ 5,156,719	\$ 75,097

\$5,300,000 Note Payable with National Bank of Blacksburg, monthly principal and interest payments beginning June 11, 2011 due through May 11, 2042 in various amounts, with interest payable at 5.25% to 8.25%. Interest rates adjustable every three years. Interest rate may not change by more than 1.25% per change and not change by more than 3.0% over the terms of the loan. The floor interest rate is 5.25%.

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended June 30, 2013

NOTE D - NOTE PAYABLE (CONTINUED)

Annual requirements to amortize the above note and related interest are as follows:

Year Ending June 30	Note Payable	
	Principal	Interest
2014	\$ 75,097	\$ 280,692
2015	82,408	264,821
2016	86,840	260,589
2017	91,510	255,719
2018	96,432	250,797
2019-2023	565,762	1,170,462
2024-2028	735,169	1,000,936
2029-2033	955,302	780,948
2034-2038	1,241,351	487,997
2039-2043	1,226,848	134,804
Totals	\$ <u>5,156,719</u>	\$ <u>4,887,765</u>

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CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

NOTE E - CAPITAL ASSETS

The Authority owns land that it prepares for use by prospective industries. The assets have been recorded at cost. At June 30, 2013, capital assets consisted of the following:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 65,000	\$ -	\$ 65,000	\$ -
Construction in Progress	409,940	604,131	-	1,014,071
Total capital assets, not being depreciated	<u>\$ 474,940</u>	<u>\$ 604,131</u>	<u>\$ 65,000</u>	<u>\$ 1,014,071</u>
Capital assets, being depreciated:				
Buildings	\$ 1,586,528	\$ -	\$ 1,200,528	\$ 386,000
Equipment	7,880	-	-	7,880
Vehicles	42,396	-	-	42,396
Total capital assets, being depreciated	<u>\$ 1,636,804</u>	<u>\$ -</u>	<u>\$ 1,200,528</u>	<u>\$ 436,276</u>
Accumulated Depreciation:				
Buildings	\$ (59,140)	\$ (72,542)	\$ (38,766)	\$ (92,916)
Equipment	(1,313)	(2,439)	-	(3,752)
Vehicles	(3,533)	(12,012)	-	(15,545)
Total accumulated depreciation	<u>\$ (63,986)</u>	<u>\$ (86,993)</u>	<u>\$ (38,766)</u>	<u>\$ (112,213)</u>
Total capital assets being depreciated, net	<u>\$ 1,572,818</u>	<u>\$ (86,993)</u>	<u>\$ 1,161,762</u>	<u>\$ 324,063</u>
Net capital assets	<u>\$ 2,047,758</u>	<u>\$ 517,138</u>	<u>\$ 1,226,762</u>	<u>\$ 1,338,134</u>

NOTE F - LAND HELD FOR RESALE

The Authority has invested \$390,000 in 55.58 acres located at Washington Mills. The land is being held for resale for redevelopment.

The Authority has invested \$6,267,693 in 167 acres located at Exit 19 off Interstate 77. The Park was named Wildwood Commerce Park to attract small to medium size manufacturers and service industries.

Land held for resale is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, and estimated fair value at the date of contribution, if contributed.

NOTE G - SUBSEQUENT EVENTS

On July 26, 2013, the Authority purchased 106 acres for a purchase price of \$5,746,875.

CARROLL-GRAYSON-GALAX REGIONAL INDUSTRIAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2013

NOTE H - LITIGATION

At June 30, 2013, there was no material litigation to report.

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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Members of the Board
Carroll-Grayson-Galax Regional Industrial Facilities Authority
Galax, 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 Carroll-Grayson-Galax Regional Industrial Facilities Authority as of and for the year ended June 30, 2013, 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 7, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, [2013-1].

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*.

Carroll-Grayson-Galax Regional Industrial Facilities Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Galax, Virginia
October 7, 2013

Carroll-Grayson-Galax Regional Industrial Facilities Authority
 Schedule of Findings and Responses
 Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2013-1 Material Auditor Adjustments to Financial Reporting

Criteria: Per Statement on Auditing Standards No. 115, 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.

Cause of Condition: Significant adjustments were not made correctly to the Authority's financial statements.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting

Recommendation: Our recommendation to the Carroll-Grayson-Galax Regional Industrial Facilities Authority, is to take steps to increase controls over its financial reporting in order to maintain records in accordance with generally accepted accounting standards.

Management's Response: The Authority will work with their bookkeeper to ensure that adjustment are made in future periods.

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