

*TransTech Alliance
T/A Virginia's Growth Alliance*

Comprehensive Annual Financial Report

Years Ended June 30, 2017 and 2016



*Creedle, Jones
& Alga, P.C.
Certified Public Accountants*

**TransTech Alliance
T/A Virginia's Growth Alliance**

Table of Contents

Years Ended June 30, 2017 and 2016

	Pages
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-2
BASIC FINANCIAL STATEMENTS	
Exhibits	
A Statements of Net Position	3
B Statements of Revenues, Expenses, and Changes in Net Position	4
C Statements of Cash Flows	5
Notes to the Financial Statements	6-9
COMPLIANCE	
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 <i>Government Auditing Standards</i>	10-11



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TransTech Alliance
T/A Virginia's Growth Alliance

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the TransTech Alliance T/A Virginia's Growth Alliance, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the TransTech Alliance T/A Virginia's Growth Alliance'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 respective financial position of the business-type activities of the TransTech Alliance T/A Virginia's Growth Alliance, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1–2 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of the TransTech Alliance T/A Virginia's Growth Alliance'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 TransTech Alliance T/A Virginia's Growth Alliance's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
December 27, 2017

**TransTech Alliance
T/A Virginia's Growth Alliance**

Management's Discussion and Analysis

As of June 30, 2017

Our discussion and analysis of the TransTech Alliance T/A Virginia's Growth Alliance's financial performance provides an overview of the Alliance's financial activities for the fiscal year ended June 30, 2017. Please read this information in conjunction with the TransTech Alliance T/A Virginia's Growth Alliance's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The TransTech Alliance T/A Virginia's Growth Alliance (the "Alliance") presents three basic financial statements. These are: (1) Statements of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Statements of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Statements of Net Position, which reflects the Alliance's assets in relation to its debt to creditors. The excess of our assets over liabilities is our equity or net position.

Information regarding the results of our operation during the year is reported in the Statements of Revenues, Expenses, and Changes in Net Position. This statement shows how much our overall net position increased or decreased during the year as a result of our operations and for other reasons.

Our Statements of Cash Flows disclose the flow of cash resources into and out of the Alliance during the year and how we applied those funds.

FINANCIAL SUMMARY

Financial Position. A summary of the Alliance's Statements of Net Position for 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 347,188	\$ 132,795
Long-Term Assets	<u>79,312</u>	<u>26,473</u>
Total Assets	<u>\$ 426,500</u>	<u>\$ 159,268</u>
Total Liabilities	\$ 18,000	\$ 8,523
Net Position		
Restricted	114,630	\$ 30,000
Unrestricted	<u>293,870</u>	<u>120,745</u>
Total Net Position	<u>408,500</u>	<u>150,745</u>
Total Liabilities and Net Position	<u>\$ 426,500</u>	<u>\$ 159,268</u>

Total Assets of the Alliance increased by \$267,232 in 2017.

Change in Net Position. A summary of the Alliance's Statements of Revenues, Expenses, and Changes in Net Position for 2017 and 2016 is presented below:

**Condensed Statements of Revenues, Expenses,
and Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 172,940	\$ 172,940
Operating Expenses	<u>289,895</u>	<u>299,515</u>
Net Operating Loss	<u>(116,955)</u>	(126,575)
Non-Operating Income	<u>374,710</u>	<u>233,803</u>
Changes in Net Position	<u>\$ 257,755</u>	<u>\$ 107,228</u>

During the year, the Alliance had a net operating loss of \$(116,955). The Alliance had non-operating income in federal and state grants, which amounted to \$425,962 and investing activity (Pack Loan) amounting to \$79,900. Operating expenses of \$289,895 included economic development expenses.

Net position increased \$257,755 in 2017 as compared to a gain of \$107,228 in 2016.

Cash Flows. A summary of the Alliance's Statements of Cash Flows for 2017 and 2016 is presented below:

Condensed Statements of Cash Flows

	<u>2017</u>	<u>2016</u>
Cash Flows Provided by (Used in)		
Operating activities	\$ (107,478)	\$ (124,509)
Non-capital financing activities	425,692	175,291
Investing activities	<u>(79,900)</u>	<u>(30,000)</u>
Net Increase in Cash	<u>\$ 238,314</u>	<u>\$ 20,782</u>

Cash flows from operating activities consist of receipts from members and a marketing campaign less payments to vendors, creating a negative cash flow of \$107,478.

Cash flows from non-capital financing activities net to \$425,692, consisting of receipts from federal and state grants.

Cash flows from investing activities net to \$(79,900), consisting of loan activities to and from loan recipients of the Micro-Lending Revolving Loan Fund.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Alliance's finances and to demonstrate the Alliance's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Wayne Carter, TransTech Alliance T/A Virginia's Growth Alliance, P.O. Box 250, Boydton, Virginia 23917, telephone 434-447-7636, or visit the Alliance's website at www.vagrowth.com.

BASIC FINANCIAL STATEMENTS

**TransTech Alliance
T/A Virginia's Growth Alliance**

Statements of Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 309,070	\$ 70,756
Due from other governments	2,800	58,512
Due from Lake Country Development Corporation	16,952	-
Loans receivable - short-term portion	<u>18,366</u>	<u>3,527</u>
Total Current Assets	347,188	132,795
Long-Term Receivables		
Loans receivable (net of short-term portion)	<u>79,312</u>	<u>26,473</u>
Total Assets	<u>\$ 426,500</u>	<u>\$ 159,268</u>
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 18,000	\$ 7,295
Accrued payroll taxes payable	<u>-</u>	<u>1,228</u>
Total Current Liabilities	18,000	8,523
Long-Term Liabilities		
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Restricted - loan program	114,630	30,000
Unrestricted	<u>293,870</u>	<u>120,745</u>
Total Net Position	<u>408,500</u>	<u>150,745</u>
Total Liabilities and Net Position	<u>\$ 426,500</u>	<u>\$ 159,268</u>

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

TransTech Alliance
T/A Virginia's Growth Alliance

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues		
Contributions from partner localities	<u>\$ 172,940</u>	<u>\$ 172,940</u>
Total Operating Revenues	172,940	172,940
Operating Expenses		
Salaries	99,373	92,718
Fringe benefits	23,739	26,309
Marketing mission - trade show and marketing plan	19,775	21,011
Advertising	-	12,704
Workforce Data	5,299	5,345
Entrepreneurship project	25,799	33,090
Legal and accounting	5,125	10,000
Website design	9,140	9,160
Telecom	5,577	2,331
Insurance	2,055	2,057
Travel	2,810	5,262
Events	6,646	7,004
Rent and utilities	2,328	2,898
Consultants and engineering	34,185	60,038
Dues and subscriptions	3,952	4,639
Gas and oil	3,118	3,153
Printing	-	959
Office supplies	974	837
Refund to Treasury of VA - loan fund	<u>40,000</u>	<u>-</u>
Total Operating Expenses	<u>289,895</u>	<u>299,515</u>
Operating Loss	(116,955)	(126,575)
Non-Operating Revenues (Expenses)		
Federal revenues	228,013	118,475
Interest income on loans	4,730	-
State revenues - Tobacco Indemnification Funds	-	100,000
State revenues - various entities	<u>141,967</u>	<u>15,328</u>
Total Non-Operating Revenues (Expenses)	<u>374,710</u>	<u>233,803</u>
Change in Net Position	257,755	107,228
Net Position - Beginning of Year	<u>150,745</u>	<u>43,517</u>
Net Position - End of Year	<u>\$ 408,500</u>	<u>\$ 150,745</u>

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

**TransTech Alliance
T/A Virginia's Growth Alliance**

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Receipts from partner localities	\$ 172,940	\$ 172,940
Payments for personnel and fringe benefits	(123,112)	(119,027)
Payments to suppliers	<u>(157,306)</u>	<u>(178,422)</u>
Net Cash Used in Operating Activities	(107,478)	(124,509)
Cash Flows from Non-Capital Financing Activities		
Receipts from federal and state grants and sources	<u>425,692</u>	<u>175,291</u>
Net Cash Provided by Non-Capital Financing Activities	425,692	175,291
Cash Flows from Investing Activities		
Payouts for loans receivable issued during year	(79,900)	(30,000)
Receipts from loans receivable for the year	12,222	-
Program income at Lake Country Development Corporation	(16,952)	-
Interest income on loans	<u>4,730</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(79,900)</u>	<u>(30,000)</u>
Net Increase in Cash and Cash Equivalents	238,314	20,782
Cash and Cash Equivalents - Beginning of Year	<u>70,756</u>	<u>49,974</u>
Cash and Cash Equivalents - End of Year	<u>\$ 309,070</u>	<u>\$ 70,756</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (116,955)	\$ (126,575)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>		
<i>Changes in assets and liabilities</i>		
Increase (Decrease) in		
Accounts payable	10,705	838
Accrued payroll taxes	<u>(1,228)</u>	<u>1,228</u>
Net Cash Used in Operating Activities	<u>\$ (107,478)</u>	<u>\$ (124,509)</u>

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

**TransTech Alliance
T/A Virginia's Growth Alliance**

Notes to the Financial Statements

Years Ended June 30, 2017 and 2016

1 Organization, Description of the Entity and Its Activities

TransTech Alliance T/A Virginia's Growth Alliance (the "Alliance") was created on June 11, 2012 by a regional development agreement pursuant to Section 15.2-1300 et seq. of the Code of Virginia which authorizes the joint exercise of powers by political subdivisions. The Alliance entered into the agreement to administer grant funds on behalf of the member jurisdictions for the purpose of establishing a regional organization to increase business opportunities and other development opportunities within the region.

Members of the Alliance are Brunswick County, Charlotte County, Greensville County, Lunenburg County, Mecklenburg County, Nottoway County, and the City of Emporia. Each member has two representatives appointed by the governing body of the member jurisdiction with no set terms. In addition, the Board may appoint up to six additional board members representing business and education for two-year terms. The Member jurisdictions' contributions are based on \$1.00 per capita.

2 Significant Accounting Policies

Financial Statement Presentation

The financial statements of the TransTech Alliance T/A Virginia's Growth Alliance have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the Alliance's accounting policies are described below:

Basis of Accounting

The Alliance's accounting system is organized and operated on a fund basis. A fund records cash and other financial resources, together with all related liabilities, obligations, reserves, and residual equity, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Proprietary Funds account for activities similar to those found in the private sector. The measurement focus is upon determination of net income. The Alliance utilizes one type of Proprietary Fund with that being an Enterprise Fund.

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Alliance is that the cost of providing services to the general public be financed or recovered through user charges. In the Alliance's operation, costs are represented by interest expense and financing cost, while user charges consist of interest income earned on receivables.

The Alliance utilizes the accrual basis of accounting under which revenues are recorded in the period earned and expenses are recorded when the related liabilities are incurred.

Use of Estimates

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

Accounts Receivable and Due from Other Governments

The Alliance utilizes the direct write-off method for the reporting of uncollectible receivables. Generally accepted accounting principles require the use of an allowance for doubtful accounts method which recognizes anticipated losses based on predetermined guidelines. Management represents that all accounts receivable balances are collectible.

Adoption of New GASB Statement

During the fiscal year ended June 30, 2017, the Alliance adopted the following GASB statement:

- Statement No. 82, "*Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73*"

The adoption of this statement had no effect on the current financial statements.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through December 27, 2017.

3 Cash Equivalents

The Alliance considers all investments purchased with a maturity of three months or less to be cash equivalents.

4 Cash and Investments

Deposits

All cash of the Alliance is maintained in an account collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance and held by its fiscal agent, the County of Mecklenburg, Virginia.

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 and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The Alliance has no investments at this time.

5 Local Contributions

Local contributions were as follows:

	<u>2017</u>	<u>2016</u>
County of Brunswick	\$ 17,434	\$ 17,434
County of Charlotte	12,586	12,586
County of Greenville	12,243	12,243
County of Lunenburg	12,914	12,914
County of Cumberland	10,052	10,052
County of Prince Edward	23,368	23,368
County of Amelia	12,690	12,690
County of Buckingham	17,146	17,146
County of Mecklenburg	32,727	32,727
County of Nottoway	15,853	15,853
City of Emporia	<u>5,927</u>	<u>5,927</u>
Total Local Contributions	<u>\$ 172,940</u>	<u>\$ 172,940</u>

6 Due from Other Governments

The Alliance had outstanding grant receipts from various programs at June 30, 2017 and 2016. Following is a recap of grant monies due from various funding agencies.

	<u>2017</u>	<u>2016</u>
Commonwealth of Virginia		
Department of Housing and Community Development		
CDBG funds - federal pass-through funds	\$ 2,800	\$ 54,512
DHCD special revenue state funds	<u>-</u>	<u>4,000</u>
Total Due from Other Governments	<u>\$ 2,800</u>	<u>\$ 58,512</u>

7 Loans Receivable

Virginia Growth Alliance (VGA) established the Micro-Lending Revolving Loan Fund ("Pack Fund") using the Virginia Department of Housing and Community Development (CDBG funds) to provide technical and financial assistance to individuals unable to obtain traditional business loans, to enhance new businesses, and support business expansion in the VGA region.

The Southside District Planning Commission and Lake Country Development Corporation per administrative agreements assist VGA in the administration of the loans. A loan committee reviews and approves all loans. Following is a recap of loans receivable as of June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
<i>Details of Loans Receivable</i>					
Loan receivable from Court House Auto Repair, LLC; 7 years with a 5-year balloon; 6.25% interest; Secured by personal property and key-man life insurance	\$ 30,000	\$ -	\$ 3,527	\$ 26,473	\$ 3,754
Loan receivable from CML Recycling, LLC; 5 years; 6.25% interest; Secured by personal property that is fully insured	-	40,000	2,878	37,122	7,220
Loan receivable from New Horizon Insurance Service, LLC; 5 years; 6.25% interest; Secured by personal property that is fully insured	-	39,900	5,817	34,083	7,392
Total Loans Receivable	<u>\$ 30,000</u>	<u>\$ 79,900</u>	<u>\$ 12,222</u>	<u>\$ 97,678</u>	<u>\$ 18,366</u>

Stipulations of Loans Receivable

Loan receivable from Court House Auto Repair, LLC	Establishment of electronic footprint (webpage, Facebook page); annual financial statements
Loan receivable from CML Recycling, LLC;	Establishment of electronic footprint (webpage, Facebook page); creation of 10 jobs over the next 36 months; annual financial statements
Loan receivable from New Horizon Insurance Service, LLC;	Establishment of electronic footprint (webpage, Facebook page); creation of 2 jobs over the next 18 months; annual financial statements; immediate payoff of old loans

Annual requirements to amortize loan receivables and interest are as follows:

<u>Pack Loan Receivables</u>		
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 18,366	\$ 5,585
2019	19,547	4,403
2020	20,804	3,146
2021	22,143	1,808
2022	11,691	609
2023	<u>5,127</u>	<u>175</u>
Total	<u>\$ 97,678</u>	<u>\$ 15,726</u>

8 Restatement of June 30, 2016

Proceeds of \$30,000 for the loan to Court House Auto Repair, LLC were issued in the fiscal year ended June 30, 2016. The comparative figures for 2016 have been restated to reclassify this transaction.

COMPLIANCE



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**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**

To the Board of Directors
TransTech Alliance
T/A Virginia's Growth Alliance

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 financial statements of the business-type activities of the TransTech Alliance T/A Virginia's Growth Alliance, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the TransTech Alliance T/A Virginia's Growth Alliance's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TransTech Alliance T/A Virginia's Growth Alliance'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 TransTech Alliance T/A Virginia's Growth Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the TransTech Alliance T/A Virginia's Growth Alliance's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
December 27, 2017