

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
 (A COMPONENT UNIT OF THE COUNTY OF BOTETOURT, VIRGINIA)
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2021

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ECONOMIC DEVELOPMENT AUTHORITY
OF BOTETOURT COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF BOTETOURT, VIRGINIA)
For the Year Ended June 30, 2021

DIRECTORS

John F. Kilby, Chairman

John W. Griffin, Vice Chairman

John Alderson

David Bryan

Jeff Emry

G. Lyn Hayth, III

Mary Bess Smith

OFFICIALS

Gary Larrowe, Secretary/Treasurer

FINANCIAL SECTION



Independent Auditors' Report

**To the Members of the Board of Directors
Economic Development Authority of Botetourt County
Fincastle, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Economic Development Authority of Botetourt County, Virginia, a component unit of the County of Botetourt, Virginia, as of and for the year ended June 30, 2021, 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.

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 States; 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 financial position of the business-type activities of the Economic Development Authority of Botetourt County, Virginia, as of June 30, 2021, 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.

Restatement of Beginning Balances

As described in Note 9 to the financial statements, in 2021, the Authority restated beginning balances to correct construction in progress. Our opinion is not modified with respect to this matter.

Other Matters

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 November 15, 2021 on our consideration of the Economic Development Authority of Botetourt County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Economic Development Authority of Botetourt County, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Economic Development Authority of Botetourt County, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 15, 2021

Basic Financial Statements

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
(A Component Unit of the County of Botetourt, Virginia)
Statement of Net Position
June 30, 2021

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 222,685
Due from primary government	161,106
Interest receivable	5,912
Note receivable - current portion	<u>203,081</u>
 Total current assets	 <u>\$ 592,784</u>
Noncurrent assets:	
Funds held by others	\$ 845,985
Note receivable - net of current portion	947,104
Land held for resale (inventory)	5,134,884
Capital Assets:	
Land	541,796
Buildings and improvements	5,257,958
Equipment	191,357
Accumulated depreciation	<u>(2,806,166)</u>
Sub-total	3,184,945
 Total capital assets	 <u>\$ 3,184,945</u>
 Total noncurrent assets	 <u>\$ 10,112,918</u>
 Total assets	 <u>\$ 10,705,702</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 265,744
Unearned revenue	28,750
Performance agreement obligation	845,985
Note payable - current portion	67,181
Total current liabilities	<u>\$ 1,207,660</u>
Noncurrent liabilities:	
Note payable - net of current portion	\$ 403,504
Total noncurrent liabilities	<u>\$ 403,504</u>
 Total liabilities	 <u>\$ 1,611,164</u>
 NET POSITION	
Investment in capital assets	\$ 3,184,945
Unrestricted	<u>5,909,593</u>
 Total net position	 <u>\$ 9,094,538</u>

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

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
(A Component Unit of the County of Botetourt, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

Operating revenues:	
Lease revenue	\$ 345,000
Gain on sale of land held for resale (inventory)	638,944
Other revenues	<u>7,402</u>
 Total operating revenues	 \$ <u>991,346</u>
Operating expenses:	
Board compensation	\$ 3,320
Professional services	38,436
Insurance	10,356
Economic incentives	1,500,716
Repairs and maintenance	22,610
Broadband initiative payments	1,799,078
COVID-19 small business grants	236,754
COVID-19 farm grants	157,672
Miscellaneous expense	24,781
Depreciation expense	<u>207,793</u>
 Total operating expenses	 \$ <u>4,001,516</u>
 Operating income (loss)	 \$ <u>(3,010,170)</u>
Nonoperating revenues (expenses):	
County of Botetourt, Virginia contribution	\$ 2,649,303
Interest income	30,388
Interest expense	<u>(23,766)</u>
 Total nonoperating revenues (expenses)	 \$ <u>2,655,925</u>
 Income (loss) before capital contributions	 \$ (354,245)
Capital contributions:	
County of Botetourt, Virginia capital contribution	5,959,941
Botetourt County School Board capital contribution	<u>149,500</u>
 Change in net position	 \$ 5,755,196
Net position, beginning of year, as restated (Note 9)	<u>3,339,342</u>
 Net position, end of year	 \$ <u><u>9,094,538</u></u>

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

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
(A Component Unit of the County of Botetourt, Virginia)
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities:	
Receipts from lessees	\$ 345,000
Receipts from other income	7,402
Net proceeds from sale of inventory (land held for resale)	1,600,950
Payments for goods and services	<u>(2,781,382)</u>
Net cash provided by (used for) operating activities	<u>\$ (828,030)</u>
Cash flows from noncapital financing activities:	
Contributions from primary government	\$ 2,587,585
Principal payments on indebtedness	(64,102)
Interest expense	<u>(23,766)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 2,499,717</u>
Cash flows from capital and related financing activities:	
Capital asset purchases	\$ (191,357)
Capital contribution from Botetourt County School Board	<u>149,500</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (41,857)</u>
Cash flows from investing activities:	
Principal payments received on notes receivable	\$ 64,102
Issuance of notes receivable	(679,500)
Interest income	<u>24,476</u>
Net cash provided by (used for) investing activities	<u>\$ (590,922)</u>
Increase (decrease) in cash and cash equivalents	\$ 1,038,908
Cash and cash equivalents at beginning of year	<u>29,762</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,068,670</u></u>
Reconciliation of operating income (loss) to net cash provided by	
(used for) operating activities:	
Operating income (loss)	\$ (3,010,170)
Adjustments to reconcile operating income (loss) to net cash	
provided by (used for) operating activities:	
Depreciation expense	207,793
Gain on sale of inventory (land held for resale)	(638,944)
Net proceeds from sale of inventory (land held for resale)	1,600,950
Changes in operating assets and liabilities:	
(Increase) decrease in funds held by others	
Increase (decrease) in accounts payable	166,356
Increase (decrease) in performance obligation	<u>845,985</u>
Net cash provided by (used for) operating activities	<u><u>\$ (828,030)</u></u>
Noncash items:	
Transfer of Greenfield land and buildings, net, from County of Botetourt, Virginia	\$ 5,602,987
Transfer of modular buildings, net, from County of Botetourt, Virginia	356,954

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

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Economic Development Authority of Botetourt County, Virginia, a component unit of the County of Botetourt, Virginia, conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant policies.

A. Financial Reporting Entity:

The Economic Development Authority of Botetourt County, Virginia (“the Authority”), was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Botetourt County on August 18, 1969, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 et seq., of the Code of Virginia (1950), as amended). The Authority is governed by seven directors appointed by the Board of Supervisors. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by encouraging enterprises to locate and remain in Virginia. The Authority is considered a component unit of Botetourt County.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. The collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease or sale of the facilities constructed and may be secured by a deed of trust on those facilities.

B. Basis of Accounting:

The Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating 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 contributions and charges for services. Operating expenses include the cost of administration and related expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Other Significant Accounting Policies:

- Accounts receivable, if any, are shown at gross value and no allowance has been taken for doubtful accounts.
- Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

E. Use of Estimates:

The preparation of financial statements in conformity with U.S. 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.

F. Pass-through Financing Leases and Installment Sales:

The principal activities of the Authority represent pass-through leases or installments sales. These agreements provide for periodic payments in amounts which are equal to the principal and interest payments due to project bonds holders.

The Authority has assigned all rights to the payments to the trustees, agents or the holders of the bonds, and the lessees or purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority neither receives nor disburses funds.

Although title to these properties may rest with the Authority, bargain purchase options or other provisions eliminate any equity interest that would otherwise be retained in the lease transactions. Deeds of trust secure outstanding bond obligations and title will pass to the lessee or purchaser at such time as the bonds are fully paid. Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation.

G. Capital Assets and Land Held for Resale:

Property is carried at cost. Depreciation on buildings and improvements is computed using the straight-line method over a useful life of thirty-six years.

Land held for resale includes land, land improvements, and infrastructure at the Greenfield Industrial Park located in Botetourt County. No depreciation is taken on industrial projects, which are held for the purpose of development and resale.

H. Unearned Revenue:

Contributions are recognized as income of the Authority when the activities for which the contributions were designated have been completed.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Net Position:

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

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

J. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

K. 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. At June 30, 2021, the Authority did not have any deferred outflows.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2021, the Authority did not have any deferred inflows.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The Authority did not hold any investments as of June 30, 2021.

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ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 3—CAPITAL ASSETS:

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Property, plant, and equipment consist of the following:

	Beginning Balance, as restated	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,035,699	\$ -	\$ (493,903)	\$ 541,796
Total capital assets, not being depreciated	<u>\$ 1,035,699</u>	<u>\$ -</u>	<u>\$ (493,903)</u>	<u>\$ 541,796</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,876,161	\$ 381,797	\$ -	\$ 5,257,958
Equipment	-	191,357	-	191,357
Total capital assets, being depreciated	<u>\$ 4,876,161</u>	<u>\$ 573,154</u>	<u>\$ -</u>	<u>\$ 5,449,315</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,573,530)	\$ (230,288)	\$ -	\$ (2,803,818)
Equipment	-	(2,348)	-	(2,348)
Total accumulated depreciation	<u>\$ (2,573,530)</u>	<u>\$ (232,636)</u>	<u>\$ -</u>	<u>\$ (2,806,166)</u>
Net capital assets, being depreciated	<u>\$ 2,302,631</u>	<u>\$ 340,518</u>	<u>\$ -</u>	<u>\$ 2,643,149</u>
Capital assets, net	<u>\$ 3,338,330</u>	<u>\$ 340,518</u>	<u>\$ (493,903)</u>	<u>\$ 3,184,945</u>

Current year additions include buildings transferred from the County with a net book value of \$356,954 (cost of \$381,797 and accumulated depreciation of \$24,843).

Depreciation expense for the year amounted to \$207,793.

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ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 4—LONG-TERM DEBT:

Changes in long-term debt:

	Balance July 1, 2020	Issuances	Retirements	Balance June 30, 2021
Direct Placements and Borrowings:				
Note Payable	\$ 534,787	\$ -	\$ (64,102)	\$ 470,685
Total	<u>\$ 534,787</u>	<u>\$ -</u>	<u>\$ (64,102)</u>	<u>\$ 470,685</u>

Annual requirements to amortize the Authority's long-term debt and related interest are as follows:

Year Ending June 30,	Direct Placements and Borrowings	
	Note Payable	
	Principal	Interest
2022	\$ 67,181	\$ 20,687
2023	403,504	3,138
Totals	<u>\$ 470,685</u>	<u>\$ 23,825</u>

Details of indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Placements and Borrowings:						
Note Payable*	4.70%	8/18/2017	2023	\$ 700,000	\$ 470,685	\$ 67,181
Total					<u>\$ 470,685</u>	<u>\$ 67,181</u>

*The EDA entered into a note receivable on the same date for the same amount and terms.

NOTE 5—NOTES RECEIVABLE:

At June 30, 2021, the outstanding balance for notes receivable is \$1,150,185, which consisted of the following:

On August 18, 2017, the Authority purchased and sold land. Part of that transaction included the Authority issuing a note payable and issuing a note receivable in the amount of \$700,000 with the same terms. At June 30, 2021, the outstanding balance for note receivable is \$470,685.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 5—NOTES RECEIVABLE: (CONTINUED)

On February 9, 2021, the Authority sold land. The Authority issued a note receivable of \$679,500. The note shall be paid back in five principal payments of \$135,900 and shall accrue interest at a per annum rate equal to the prime rate (the highest rate published on the third business day preceding the date of determination in the “money rates” section of The Wall Street Journal as the prime rate for such day) minus 1.00%. At June 30, 2021, the outstanding balance for note receivable is \$679,500.

NOTE 6—COMMITMENTS:

The Authority has entered into four performance agreements that will commit the Authority to provide incentive grants to Eldor Corporation (\$200,000), Home Brew Mart, Inc. (Ballast Point) (\$1,400,000), and Altec (\$87,500). These balances represent remaining amounts due at June 30, 2021. It is currently anticipated that Commonwealth Opportunity Funds (received through Botetourt County) will be used to fund these commitments. In addition, the County of Botetourt has outstanding commitments (local incentive funds) of \$487,500.

Botetourt County, the Authority, Shooting Star Virginia Partners, LLC (Developer), and Munters Corporation (Company) entered into a performance agreement during the fiscal year. In addition, the Authority and the Developer entered into a real estate sale agreement. Key provisions of these agreements are as follow:

- The Developer agreed to purchase tax Parcel Number 88-20 (lots A, B, and C) (the “Site”) from the Authority at a price of \$900,000, which such amount placed in escrow to cover anticipated development cost for the Authority to construct a road and to extend public water and sewer (utilities) to the Site. Assets constructed will be conveyed to the Virginia Department of Transportation, the Developer or the Western Virginia Water Authority.
- The County has agreed to provide a workforce training credit to the Company of (up to) \$150,000 in tuition assistance.
- The Developer has agreed to make capital investments of at least \$23,400,000 to the Site. Failure to make the aforementioned improvements could result in a payment of (up to) \$150,000 by the Developer to the Authority.
- The Company has agreed to create at least 180 new jobs. Failure to create these jobs could result in a payment of (up to) \$150,000 by the Developer to the Authority.
- The Authority and the County have entered into a support agreement that limits the Authority’s responsibility for the road and utility construction (development cost) to the amount available from the escrow account for same.

As of June 30, 2021, the Authority has reported funds totaling \$845,985, as funds held by others. This balance represents funds held in escrow from the land sale (tax parcel 88-20) by the Law Firm of Guynn, Waddell, Carroll and Lockaby, P.C. The Authority has also reported a liability for this same amount as a performance agreement obligation to cover development costs.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 6—COMMITMENTS: (CONTINUED)

The County has a commitment of approximately \$1,029,159 for obligations related to the provision of water and sewer to the Site. The County also has a commitment of approximately \$789,000, which represents an estimate of the cost to construct a road to the Site. The County has secured a \$650,000 Virginia Department of Transportation (VDOT) grant to offset some of the costs of the road construction. Together, these amounts, as reduced by the balance of funds in escrow and VDOT grant, the County has an outstanding commitment of approximately \$322,174 at June 30, 2021.

NOTE 7—CONDUIT DEBT TRANSACTIONS:

Outstanding conduit debt at year end:

<u>Issue</u>	<u>Project</u>	<u>Amount Outstanding at June 30, 2021</u>
\$8,000,000 Industrial Development Revenue Bonds (Altec Industries), Series 2001	Altec Industries, Inc. Plant	\$ 8,000,000
\$8,900,000 Industrial Development Revenue Bond (YMCA 2017)	YMCA	6,668,763
\$38,455,000 Industrial Revenue Bond, Series 2014A	The Glebe, Inc	34,035,000

NOTE 8—COVID-19 PANDEMIC SUBSEQUENT EVENT:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the Authority, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the Authority is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

NOTE 9—RESTATEMENT OF BEGINNING NET POSITION:

Beginning balance has been restated to remove cost associated with server room upgrades for a long-term tenant at the Greenfield Center.

Beginning net position, as previously reported	\$	3,399,701
Adjustment to remove construction in progress		(60,359)
Beginning net position, as restated	<u>\$</u>	<u>3,339,342</u>

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 10—UPCOMING PRONOUNCEMENTS:

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (Continued)
June 30, 2021

NOTE 10—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

COMPLIANCE SECTION



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Members of the Board of Directors
Economic Development Authority of Botetourt County
Fincastle, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Economic Development Authority of Botetourt County, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of Botetourt County, Virginia's basic financial statements and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Economic Development Authority of Botetourt County, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Economic Development Authority of Botetourt County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Economic Development Authority of Botetourt County, Virginia'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Economic Development Authority of Botetourt County, Virginia's Response to Findings

Economic Development Authority of Botetourt County, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Economic Development Authority of Botetourt County, Virginia'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

Blacksburg, Virginia
November 15, 2021

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
(A Component Unit of the County of Botetourt, Virginia)
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Section II - Financial Statement Findings

2021-001

Material Weakness

Criteria:	Auditing standards require an auditee to have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.
Condition:	The auditor recommended numerous adjustments to present the financial statements in accordance with current reporting standards.
Effect:	There is reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected by the Authority's internal controls over financial reporting.
Cause:	The Authority has expanded significantly in recent years and a process has not been established to review new or existing contracts and agreements and to consider financial reporting necessary as a result of same
Recommendation:	We recommend, the Authority develop a process to review the accounting treatment of new agreements and contracts throughout the year.
Managements' Response:	The Authority's current staff has a good understanding of the books and accounting processes; however, given the unique accounting treatment of certain transactions it is anticipated that Authority will begin a technical review of material contracts going forward.

Section III - Status of Prior Audit Findings

Prior year finding, 2020-001, is recurring as 2021-001 in the current year.