

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

November 19, 2019

To the Board of Directors
Botetourt County Economic Development Authority

We have audited the financial statements of the business-type activities of the Botetourt County Economic Development Authority (EDA) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 May 8, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Botetourt County Economic Development Authority are described in Note 1 to the financial statements. As described in Note 8 to the financial statements, in 2019, the EDA adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The implementation of this standard did not require a restatement of previously issued financial statements. We noted no transactions entered into by the entity during the audit period 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 financial statements was:

Management's estimates of depreciable asset lives are based on management's experience. We evaluated the key factors and assumptions used to develop the estimates in determining same is reasonable in relation to the financial statements taken as a whole.

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.

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. We have attached listings of our recommended adjusting entries, some of which were material to the financial statements.

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 November 19, 2019.

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 Botetourt County Economic Development Authority'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 Botetourt County Economic Development Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Botetourt County Economic Development 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

November 19, 2019

**ECONOMIC DEVELOPMENT AUTHORITY
OF BOTETOURT COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF BOTETOURT, VIRGINIA)
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**



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

For the Year Ended June 30, 2019

DIRECTORS

John F. Kilby, Chairman

John W. Griffin, Vice Chairman

G. Lyn Hayth, III

John B. Williamson, III

Joyce R. Kessinger

John E. Alderson, Jr.

Jeff Emry

OFFICIALS

Gary Larrowe, Secretary/Treasurer

THIS PAGE LEFT BLANK INTENTIONALLY

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
 (A COMPONENT UNIT OF THE COUNTY OF BOTETOURT, VIRGINIA)
 FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report		1-2
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Statement of Net Position	1	3
Statement of Revenues, Expenses and Changes in Net Position.....	2	4
Statement of Cash Flows	3	5
Notes to the Financial Statements		6-11

COMPLIANCE SECTION

		<u>Page</u>
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 <i>Government Auditing Standards</i>		12-13
Schedule of Findings and Responses		14



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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2019, the Economic Development Authority of Botetourt County, Virginia adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. 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 19, 2019 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 19, 2019

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, 2019

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 41,417
Due from primary government	391,491
Note receivable - current portion	<u>61,165</u>
Total current assets	<u>\$ 494,073</u>
Noncurrent Assets:	
Cash and cash equivalents-restricted	\$ 14,648
Note receivable - net of current portion	534,787
Capital Assets:	
Land	1,035,699
Buildings and Improvements	4,876,161
Accumulated depreciation	<u>(2,438,081)</u>
Total capital assets	<u>\$ 3,473,779</u>
Total noncurrent assets	<u>\$ 4,023,214</u>
Total assets	<u>\$ 4,517,287</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,832
Accrued interest payable	1,702
Unearned revenue	373,750
Amounts held for others	14,646
Lease revenue bond - current portion	329,324
Note payable - current portion	61,165
Total current liabilities	<u>\$ 783,419</u>
Noncurrent liabilities:	
Note payable - net of current portion	\$ 534,787
Total noncurrent liabilities	<u>\$ 534,787</u>
Total liabilities	<u>\$ 1,318,206</u>
NET POSITION	
Net investment in capital assets	\$ 3,144,455
Unrestricted	<u>54,626</u>
Total net position	<u>\$ 3,199,081</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, 2019

Operating Revenues:	
Lease revenue	\$ 345,000
Other revenues	32,888
	<hr/>
Total operating revenues	\$ 377,888
	<hr/>
Operating Expenses:	
Board compensation	\$ 2,254
Professional services	11,881
Insurance	9,957
Economic incentive payments	2,444,379
Miscellaneous expense	1,674
Depreciation expense	135,449
	<hr/>
Total operating expenses	\$ 2,605,594
	<hr/>
Operating income (loss)	\$ (2,227,706)
	<hr/>
Nonoperating Revenues (Expenses):	
County of Botetourt, Virginia contribution	\$ 2,420,624
Botetourt County School Board contribution	493,903
Interest income	30,207
Interest expense	(41,828)
	<hr/>
Total nonoperating revenues (expenses)	\$ 2,902,906
	<hr/>
Change in net position	\$ 675,200
Net position, beginning of year	2,523,881
	<hr/>
Net position, end of year	\$ 3,199,081
	<hr/> <hr/>

The accompanying notes to the financial statements are an intergral 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, 2019

Cash flows from Operating Activities:	
Receipts from lessees	\$ 690,000
Receipts from other income	32,888
Payments for goods and services	<u>(2,519,383)</u>
Net cash provided by (used for) operating activities	\$ (1,796,495)
Cash flows from Noncapital Financing Activities:	
Contributions from primary government	\$ 2,081,524
Principal payments on indebtedness	(58,363)
Interest expense	<u>(29,506)</u>
Net cash provided by (used for) noncapital financing activities	\$ 1,993,655
Cash flows from Capital and Related Financing Activities:	
Principal payments on indebtedness	\$ (321,138)
Interest expense	<u>(13,982)</u>
Net cash provided by (used for) capital and related financing activities	\$ (335,120)
Cash flows from Investing Activities:	
Principal payments received on notes receivable	\$ 58,363
Interest income	<u>30,207</u>
Net cash provided by (used for) investing activities	\$ 88,570
Increase (decrease) in cash and cash equivalents	\$ (49,390)
Cash and cash equivalents at beginning of year (includes restricted cash of \$14,646)	<u>105,455</u>
Cash and cash equivalents at end of year (includes restricted cash of \$14,648)	\$ <u>56,065</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (2,227,706)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	135,449
Changes in operating assets and liabilities:	
Increase (decrease) in unearned revenue	345,000
Increase (decrease) in accounts payable	<u>(49,238)</u>
Net cash provided by (used for) operating activities	\$ (1,796,495)
Donation of land from Botetourt County School Board	\$ <u>493,903</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements
June 30, 2019

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:

For purposes of the statement of cash flows and the statement of net position, cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (continued)
June 30, 2019

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.
- Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at a time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools, if any, are measured at amortized costs. All other investments, if any, are reported at fair value.

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:

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. 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, 2019

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

I. 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.

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, 2019, 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, 2019, the Authority did not have any deferred inflows.

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.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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 Authority did not hold any investments as of June 30, 2019.

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	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 541,796	\$ 493,903	\$ -	\$ 1,035,699
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,876,161	\$ -	\$ -	\$ 4,876,161
Accumulated depreciation:				
Buildings and improvements	\$ (2,302,632)	\$ (135,449)	\$ -	\$ (2,438,081)
Capital assets, net	\$ 3,115,325	\$ 358,454	\$ -	\$ 3,473,779

Depreciation expense for the year amounted to \$135,449. During fiscal year 2019, the Botetourt School Board gave the EDA land valued at \$493,903.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 4—LONG-TERM DEBT:

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

Year Ending June 30,	Direct Placements and Borrowings			
	Lease Revenue Bond		Lease Revenue Bond	
	Principal	Interest	Principal	Interest
2019	\$ 329,324	\$ 5,853	\$ 61,165	\$ 26,703
2020	-	-	64,103	23,766
2021	-	-	67,181	20,687
2022	-	-	403,503	3,138
Totals	\$ 329,324	\$ 5,853	\$ 595,952	\$ 74,294

Changes in long-term debt:

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
Direct Placements and Borrowings:				
Lease Revenue Bond	\$ 650,462	\$ -	\$ (321,138)	\$ 329,324
Note Payable	654,315	-	(58,363)	595,952
Total	\$ 1,304,777	\$ -	\$ (379,501)	\$ 925,276

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:						
Lease Revenue Bond	2.45%	4/12/2013	2020	\$ 2,143,259	\$ 329,324	\$ 329,324
Note Payable*	4.70%	8/18/2017	2023	700,000	595,952	61,165
Total					\$ 925,276	\$ 390,489

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

NOTE 5—NOTE RECEIVABLE:

On August 18, 2017, the EDA purchased and sold land. Part of that transaction included the EDA issuing a note payable and issuing a note receivable in the amount of \$700,000 with the same terms.

ECONOMIC DEVELOPMENT AUTHORITY OF BOTETOURT COUNTY, VIRGINIA
Notes to the Financial Statements (continued)
June 30, 2019

NOTE 6—COMMITMENTS:

The EDA has entered into four performance agreements that will commit the EDA to provide incentive grants to Eldor Corporation (\$200,000), Home Brew Mart, Inc. (Ballast Point) (\$1,400,000), Altec (\$400,000), and Pratt (\$300,000). These balances represent remaining amounts due at June 30, 2019. 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 \$800,000.

NOTE 7—CONDUIT DEBT TRANSACTIONS:

Outstanding conduit debt at year end:

<u>Issue</u>	<u>Project</u>	<u>Amount Outstanding at June 30, 2019</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	8,751,237
\$38,455,000 Industrial Revenue Bond, Series 2014A	The Glebe, Inc	35,425,000
\$2,700,000 Industrial Revenue Bond, Series 2014B	The Glebe, Inc	2,460,000

NOTE 8—ADOPTION OF ACCOUNTING PRINCIPLE:

The EDA implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

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, a component unit of the County of Botetourt, Virginia, as of and for the year ended June 30, 2019, 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 19, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 2019-001 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 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*.

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. 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 19, 2019

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, 2019

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

2019-001

Criteria:	Auditing standards require an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.
Condition:	The auditor recommended three significant 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 had transactions in the current year that were infrequent in nature and required the application of accounting standards not normally required.
Recommendation:	We recommend, the Authority develop a process to review the accounting treatment of new agreements with their consulting CPA.
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.

THIS PAGE LEFT BLANK INTENTIONALLY