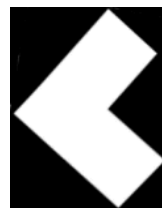


*Economic Development Authority of the Town of Clarksville, Virginia  
A Component Unit of the Town of Clarksville, Virginia*

*Comprehensive Annual Financial Report*

*Years Ended June 30, 2018 and 2017*



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

**Economic Development Authority of the Town of Clarksville, Virginia  
A Component Unit of the Town of Clarksville, Virginia**

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Years Ended June 30, 2018 and 2017

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**Economic Development Authority of the Town of Clarksville, Virginia  
A Component Unit of the Town of Clarksville, Virginia**

EDA Officials

Year Ended June 30, 2018

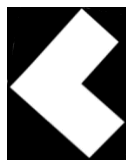
**Board of Directors**

Charles F. Simmons, Chairman  
E. Allen Murray, Vice Chairman  
Justin Eubank  
Christopher Clarke

Charles Jones  
J. Charles Lee  
J. Harman Saunders

**Ex Officio Members**

Jeff Jones, Town Manager  
Tara Murphy, Town Treasurer/EDA Fiscal Agent



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA  
Kimberly W. Jackson, CPA*

*Nadine L. Chase, CPA  
Monique A. Lubick, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Economic Development Authority of the Town of Clarksville, Virginia  
A Component Unit of the Town of Clarksville, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia, as of June 30, 2018 and 2017, 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 through 3 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 September 18, 2018, on our consideration of the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, 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 the Town of Clarksville, Virginia, a component unit of the Town of Clarksville, 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 the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

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

South Hill, Virginia  
September 18, 2018

**Economic Development Authority of the Town of Clarksville, Virginia**  
**A Component Unit of the Town of Clarksville, Virginia**

Management's Discussion and Analysis

As of June 30, 2018 and 2017

Our discussion and analysis of the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia's financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2018 and 2017. Please read this information in conjunction with the Economic Development Authority of the Town of Clarksville, Virginia's basic financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia (the "Authority") 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 Authority'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. These statements show 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 Authority during the year and how we applied those funds.

**FINANCIAL SUMMARY**

**Financial Position.** A summary of the Authority's Statements of Net Position is presented below as of June 30, 2018 and 2017:

	<u><b>2018</b></u>	<u><b>2017</b></u>
Total Assets	<u><b>\$ 1,758,745.48</b></u>	<u><b>\$ 1,796,502.81</b></u>
Total Liabilities	<b>\$ 433,632.51</b>	\$ 18,186.99
<b>Net Position</b>		
Net investment in capital assets	<b>854,636.78</b>	1,659,443.54
Restricted	<b>413,177.68</b>	-
Unrestricted	<u><b>57,298.51</b></u>	<u>118,872.28</u>
Total Liabilities and Net Position	<u><b>\$ 1,758,745.48</b></u>	<u><b>\$ 1,796,502.81</b></u>

The financial position of the Authority decreased in 2018. Assets decreased by 2.1% percent while liabilities increased by \$415,445.52.

**Change in Net Position.** A summary and prior year comparison of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for 2018 and 2017 is presented as follows:

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

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ (408,488.21)	\$ 66,000.00
Operating Expenses	<u>40,069.36</u>	<u>53,829.41</u>
Net Operating Income (Loss)	(448,557.57)	12,170.59
Non-Operating Revenues	-	-
Non-Operating Expenses	<u>4,645.28</u>	<u>1,259.15</u>
Net Non-Operating Losses	<u>(4,645.28)</u>	<u>(1,259.15)</u>
Changes in Net Position	<u>\$ (453,202.85)</u>	<u>\$ 10,911.44</u>

Operating income is defined as the amount of revenue received, administrative fees, and recovered costs. The Authority had sources of income classified as operating income as a result of rental income. During 2018, operating expenses resulted primarily from depreciation of capital assets and professional services.

There were no non-operating revenues. Non-operating expenses consisted of interest expense.

Net position decreased \$453,202.85 in 2018 primarily due to increases in losses from the conversion of a long-term lease.

**Cash Flows.** A summary of the Authority's Statements of Cash Flows for 2018 and 2017 are presented below:

**Condensed Statements of Cash Flows**

	<u>2018</u>	<u>2017</u>
<b>Cash Provided by (Used in)</b>		
Operating activities	\$ 111,448.85	\$ 46,788.97
Capital and related financing activities	348,800.24	(9,877.44)
Investing activities	<u>(2,984.00)</u>	<u>(1.00)</u>
Net Increase in Cash	<u>\$ 457,265.09</u>	<u>\$ 36,910.53</u>

Cash flows provided by operating activities consist primarily of rents received less marketing and professional fees, creating a positive cash flow.

The Town of Clarksville, Virginia contributed capital of \$-0- to the Authority during the fiscal year-end June 30, 2018, as rental income from current and prior years' rentals was sufficient to meet the years' obligations.

Net cash flows provided by capital and related financing were a result of the Authority procuring a construction loan for the development of the Planters Warehouse project. Net cash flows used in investing amounted to \$2,984. This was the result of expenses incurred in properly transferring ownership of two lots in the Town to the Authority.

During fiscal year 2018, there was an increase of \$457,265.09 in cash. A bulk of this increase was the result of the Authority procuring a construction loan for the Planters Warehouse project and the collection of rents.

## CAPITAL ASSETS AND LONG-TERM DEBT

**Capital Assets.** As of June 30, 2018, the Authority's net capital assets total \$1,164,422.12 , which represents a net decrease of \$495,021.42 or 29.8% over the previous fiscal year end.

### Change in Capital Assets

Business-Type Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 1,102,747.42	\$ 27,505.00	<b>\$ 1,130,252.42</b>
Buildings and systems	<u>965,887.30</u>	<u>(803,413.11)</u>	<b>162,474.19</b>
Total Capital Assets	2,068,634.72	(775,908.11)	<b>1,292,726.61</b>
Less: Accumulated depreciation	<u>409,191.18</u>	<u>(280,886.69)</u>	<b>128,304.49</b>
Net Capital Assets	<u>\$ 1,659,443.54</u>	<u>\$ (495,021.42)</u>	<b>\$ 1,164,422.12</b>

**Debt.** As of June 30, 2018, the Authority's debt obligations total \$309,785.34 .

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>				
Debt	<u>\$ 16,686.99</u>	<u>\$ 293,098.35</u>	<b>\$ 309,785.34</b>	<b>\$ 309,785.34</b>

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Tara G. Murphy, Town Treasurer, and fiscal agent of the Economic Development Authority of the Town of Clarksville, Virginia, P. O. Box 1147, Clarksville , Virginia 23927, telephone 434-374-8177.



# FINANCIAL STATEMENTS

**Economic Development Authority of the Town of Clarksville, Virginia**  
**A Component Unit of the Town of Clarksville, Virginia**

Statements of Net Position

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 181,145.68	\$ 137,058.27
Total Current Assets	181,145.68	137,058.27
<b>Restricted Cash Deposits</b>		
Grants	50,000.00	-
Contingency reserves	164,000.00	-
Interest reserves	140,177.68	-
Owner's reserve	59,000.00	-
Total Restricted Cash Deposits	413,177.68	-
<b>Capital Assets</b>		
Land	466,358.41	438,853.41
Land improvements	663,894.01	663,894.01
Buildings	146,322.09	949,735.20
Equipment	16,152.10	16,152.10
Less: Accumulated depreciation	(128,304.49)	(409,191.18)
Net Capital Assets	1,164,422.12	1,659,443.54
<b>Other Assets</b>		
Purchase option	-	1.00
Total Other Assets	-	1.00
Total Assets	<u>\$ 1,758,745.48</u>	<u>\$ 1,796,502.81</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,500.00	\$ 1,500.00
Accrued interest payable	1,347.17	-
Prepaid rents	12,000.00	-
Grant refundable	50,000.00	-
Notes payable - current portion	309,785.34	9,381.49
Total Current Liabilities	374,632.51	10,881.49
<b>Long-Term Liabilities</b>		
Notes payable - less current portion	-	7,305.50
Notes payable - Project Owner	59,000.00	-
Total Liabilities	433,632.51	18,186.99
<b>Net Position</b>		
Net investment in capital assets	854,636.78	1,659,443.54
Restricted	413,177.68	-
Unrestricted	57,298.51	118,872.28
Total Net Position	<u>1,325,112.97</u>	<u>1,778,315.82</u>
Total Liabilities and Net Position	<u>\$ 1,758,745.48</u>	<u>\$ 1,796,502.81</u>

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

**Economic Development Authority of the Town of Clarksville, Virginia**  
**A Component Unit of the Town of Clarksville, Virginia**

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Rental income	\$ 72,500.00	\$ 66,000.00
Revenue - Gifts of property	64,000.00	-
Loss on lease/purchase conversion	<u>(544,988.21)</u>	<u>-</u>
Total Operating Revenues	<u>(408,488.21)</u>	66,000.00
<b>Operating Expenses</b>		
Marketing consultant	18,000.00	18,000.00
Depreciation	17,018.21	27,618.38
Professional fees	3,705.00	5,869.00
Advertising	1,328.25	1,857.37
Insurance	-	265.00
Meeting expense	-	94.96
Miscellaneous	<u>17.90</u>	<u>124.70</u>
Total Operating Expenses	<u>40,069.36</u>	53,829.41
Net Operating Income (Loss)	<u>(448,557.57)</u>	12,170.59
<b>Non-Operating Revenues</b>	-	-
<b>Non-Operating Expenses</b>		
Interest	4,645.28	883.32
Amortization of loan fees	<u>-</u>	<u>375.83</u>
Total Non-Operating Expenses	<u>4,645.28</u>	1,259.15
Net Non-Operating Losses	<u>(4,645.28)</u>	(1,259.15)
Change in Net Position	<u>(453,202.85)</u>	10,911.44
Net Position - Beginning of Year	<u>1,778,315.82</u>	1,767,404.38
Net Position - End of Year	<u><u>\$1,325,112.97</u></u>	<u><u>\$1,778,315.82</u></u>

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

**Economic Development Authority of the Town of Clarksville, Virginia**  
**A Component Unit of the Town of Clarksville, Virginia**

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Rents	\$ 84,500.00	\$ 73,000.00
Grant proceeds	50,000.00	-
Payment to suppliers	<u>(23,051.15)</u>	<u>(26,211.03)</u>
Net Cash Provided by Operating Activities	111,448.85	46,788.97
<b>Cash Flows from Capital and Related Financing Activities</b>		
Interest and fee expense	(3,298.11)	(883.32)
Proceeds from borrowings	406,657.40	-
Loan acquisition cost	(45,157.40)	-
Principal payments on loans	<u>(9,401.65)</u>	<u>(8,994.12)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	348,800.24	(9,877.44)
<b>Cash Flows from Investing Activities</b>		
Acquisition cost	(2,985.00)	-
Purchase option	<u>1.00</u>	<u>(1.00)</u>
Net Cash Used in Investing Activities	<u>(2,984.00)</u>	<u>(1.00)</u>
Increase in Cash and Cash Equivalents	457,265.09	36,910.53
Cash and Cash Equivalents - Beginning of Year	<u>137,058.27</u>	<u>100,147.74</u>
Cash and Cash Equivalents - End of Year	<u>\$ 594,323.36</u>	<u>\$ 137,058.27</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (448,557.57)	\$ 12,170.59
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities</i>		
Non-cash loss on lease conversion	544,988.21	-
Non-cash revenues - gifts of land	(64,000.00)	-
Depreciation and amortization	17,018.21	27,618.38
(Increase) Decrease in rents receivable	-	7,000.00
Increase (Decrease) in prepaid rents	12,000.00	-
Increase (Decrease) refundable grants	<u>50,000.00</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 111,448.85</u>	<u>\$ 46,788.97</u>

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

**Economic Development Authority of the Town of Clarksville, Virginia  
A Component Unit of the Town of Clarksville, Virginia**

Notes to the Financial Statements

Year Ended June 30, 2018

**1 Organization, Description of the Entity and Its Activities**

The Economic Development Authority of the Town of Clarksville, Virginia, A Component Unit of the Town of Clarksville, Virginia, (the "Authority") was created by a resolution of the Town Council of Clarksville, Virginia (the "Town") dated June 4, 1974 in accordance with Chapter 33, Title 15.1, of the Code of Virginia of 1950, as amended (the "Act"). The purpose of the Authority shall be to promote economic and industrial development in the greater Clarksville area.

The Authority is a separate and distinct entity from the Town of Clarksville, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia.

A seven-member Board appointed by the Town Council of the Town of Clarksville, Virginia governs the Authority. The directors are to serve staggered terms of four years each. Currently, there are seven members appointed to the Board.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. The Authority may retain liability under the bonds or it may be assumed by the enterprise for which facilities are constructed. 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 of the facilities constructed and may be secured by a deed of trust on those facilities.

The Authority is a component unit of the financial reporting entity of the Town of Clarksville, Virginia. The Town has agreed to provide funding as needed to meet operating shortfalls.

**2 Significant Accounting Policies**

*Financial Statement Presentation*

The accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

*Net Investment in Direct Financial Leases*

The Authority may acquire and improve properties and retain title to them. Where bargain purchase options or other lease provisions do not reasonably assure transfer of title at the completion of a lease to a tenant, the Authority accounts for activities in its role as lessor as either capital leases or operating leases. The Authority does not have any investment in direct financing leases.

### *Basis of Accounting*

The Authority'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 Authority 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 Authority is that the cost of providing services to the general public be financed or recovered through user charges. In the Authority's operation, costs are represented by interest expense and financing cost, while user charges consist of interest income earned on receivables.

The Authority 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.

The Authority may realize its assets and liquidate its liabilities in operating cycles, which range from very short to very long periods. The accompanying financial statements are presented in a nonclassified format because working capital concepts are not indicative of its operating cycle.

### *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.

## **3** Cash Equivalents

*Deposits.* All cash of the Authority is maintained in accounts 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.

Cash and cash equivalents of the Authority at June 30 consist of the following:

	<b>Book Balance</b>		<b>Bank Balance</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash in bank accounts	<b><u>\$ 594,323.36</u></b>	<b><u>\$ 137,058.27</u></b>	<b><u>\$ 594,323.36</u></b>	<b><u>\$ 139,381.39</u></b>

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

## **4** Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation on building and land improvements are computed by the straight-line method, while equipment is computed by the Modified Accelerated Cost Recovery (MACRs) method over the estimated useful lives of the assets. Additions to capital assets, major betterments and replacements are recorded at cost. Maintenance, repairs, and minor replacements are expensed as incurred. Gains and losses on dispositions are reflected in current earnings.

The following is a schedule of estimated useful lives:

Buildings	39 years
Land improvements	10-39 years
Equipment	5-7 years

The following schedule details increases and decreases in the capital asset account categories:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 288,853.41	\$ 66,985.00	\$ 39,480.00	\$ 316,358.41
Land - joint venture	150,000.00	-	-	150,000.00
Total Capital Assets Not Being Depreciated	438,853.41	66,985.00	39,480.00	466,358.41
<b>Other Capital Assets</b>				
Buildings and systems	965,887.30	-	803,413.11	162,474.19
Land improvements	663,894.01	-	-	663,894.01
Total Other Capital Assets	1,629,781.31	-	803,413.11	826,368.20
<b>Less: Accumulated depreciation for</b>				
Other Capital Assets	409,191.18	17,018.21	297,904.90	128,304.49
Total Accumulated Depreciation	409,191.18	17,018.21	297,904.90	128,304.49
Net Other Capital Assets	1,220,590.13	(17,018.21)	505,508.21	698,063.71
Net Capital Assets	\$ 1,659,443.54	\$ 49,966.79	\$ 544,988.21	\$ 1,164,422.12

## 5 Operating Leases

### *Lake Country Industrial Park*

The tenant of the shell building exercised its option to buy under the lease purchase agreement. Since income had been collected throughout the lease of 148 months, there was a book loss in the current year recorded upon the exercise of this option.

### *Virginia Lakeside Commerce Park*

The Authority purchased a 633-acre tract of land adjacent to Occoneechee State Park. Pursuant to a joint agreement between the Industrial Development Authority of Mecklenburg County, Virginia and the Industrial Development Authority of the Town of Chase City, Virginia, the Economic Development Authority of the Town of Clarksville, Virginia deeded a one-third undivided interest each in a tract that consists of 265.01 acres to the forenamed Industrial Development Authorities for the purpose of developing an industrial park.

On December 11, 2000, the Authority entered into an agreement where they would jointly own an industrial park known as the Virginia Lakeside Commerce Park. The Authority committed to contribute land valued at \$90,000.00 and cash of \$60,000.00 for a one-third interest provided the venture obtains certain grants. The Industrial Development Authority of Mecklenburg County, Virginia has served as the administrator of the project with the grants being in the name of the Industrial Development Authority of Mecklenburg County, Virginia. For this reason, all accounting of expenditures has been recorded by the Industrial Development Authority of Mecklenburg County, Virginia. As additional funds are needed to complete the project or if local match reimbursements are required, the Authority has committed to fund one third of the amount necessary to complete the project. Refer to Note 10 for additional disclosure regarding the \$60,000.00 investment.

Before the Authority joined into the joint agreement with the Industrial Development Authorities of Mecklenburg County and Chase City, Virginia, a parcel in the industrial park known as the ROES site was developed. On September 22, 2010, the Authority entered into a lease agreement that has a 120-month term ending September 30, 2021. The lease calls for an option to purchase at \$300,000.00. The option expires July 31, 2020. The terms of the lease are as follows: \$1,000.00 per month for the first year; \$1,500.00 per month for the second year; and \$2,000.00 per month for years three through ten. The initial payment was due October 1, 2010. All base rent is to be credited against the purchase price.

<u>Year</u>	<u>LCIP</u>	<u>VLCP</u>	<u>Total</u>
2019	\$ 7,285.34	\$ -	\$ 7,285.34
Total	<u>\$ 7,285.34</u>	<u>\$ -</u>	<u>\$ 7,285.34</u>

## 6 Notes Payable

### *Lake Country Development Corporation*

The Authority has procured a \$100,000.00 loan through the Lake Country Development Corporation. The loan which was originated on March 18, 2004 bears an interest rate of 4.0%. The terms of the note called for interest-only payments for the first two years, with payments of interest and principal beginning on May 1, 2006 and running for a period of thirteen years. There are 156 payments with the first payment beginning on May 1, 2006 in the amount of \$823.12. The entire debt is due on April 1, 2019. The loan is secured by a first deed of trust on the ROES property.

### *Carter Bank & Trust*

The Authority has procured a construction/permanent loan through Carter Bank & Trust for the purpose of providing first construction funding and then permanent financing for the Planters Warehouse project. The initial funding has been used to establish escrow accounts for debt service and contingency reserves as well as fund loan cost. To date, no proceeds have been used for actual construction cost.

### *Long-Term Debt*

#### *Changes in Long-Term Debt*

The following is a summary of long-term debt transactions of the Authority for the year ended June 30, 2018:



	<u>Balance July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Lake Country Development Corporation	\$ 16,686.99	-	\$ 9,401.65	\$ 7,285.34	\$ 7,285.34
<b>Carter Bank and Trust- Construction Loan</b>					
<i>Short-term debt</i>					
Construction Loan	-	347,657.40	-	<b>347,657.40</b>	347,657.40
Loan Cost	<u>-</u>	<u>(45,157.40)</u>	<u>-</u>	<u><b>(45,157.40)</b></u>	<u>(45,157.40)</u>
Net Loans	<u>-</u>	<u>302,500.00</u>	<u>-</u>	<u><b>302,500.00</b></u>	<u>302,500.00</u>
Total Notes Payable	<u>\$ 16,686.99</u>	<u>302,500.00</u>	<u>\$ 9,401.65</u>	<u><b>\$ 309,785.34</b></u>	<u>\$ 309,785.34</u>

The anticipated schedule of loan payments is as follows for years ending June 30:

<i>Lake Country Development Corporation</i>			
<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
2019	<u>\$ 7,285.34</u>	<u>\$ 121.94</u>	<u>\$ 7,407.28</u>
Total	<u>\$ 7,285.34</u>	<u>\$ 121.94</u>	<u>\$ 7,407.28</u>

Pursuant to the loan commitment letter, the Authority has obtained a \$1,728,000 construction loan for the purpose of renovating a historic structure into a mixed use facility combining commercial space with 27 market rate apartments. The construction loan has a life of 24 months, which is the assumed length of construction period. The note carries an interest rate of 4.65%. Upon completion of the construction, the loan will be paid out by a second loan in an amount not to exceed \$1,728,000 and will be repaid monthly for a period of 25 years. This note will carry an interest rate equal to the one-year treasury rate plus 350 basis points annually. This loan has not been included in the loan payment schedule due to the uncertainty of the timing of the funding and the short-term nature of the construction loan.

## 7 Fiscal Agent

The Treasurer of the Town of Clarksville, Virginia has been appointed as the fiscal agent for the Authority. In addition, the fiscal agent utilizes the services of the Town's Treasurer to maintain the financial data of the Authority. The Authority is exposed to various risks of loss related to torts; theft of; and errors and omissions. The Treasurer is insured by a \$100,000.00 insurance bond through the Town.

## 8 Litigation

At June 30, 2018, management reports that there were no matters of litigation involving the Authority that would have a material affect on the financial position of the Authority.

## 9 Fund Balances

As of June 30, 2018, fund balances are composed of the following:

Restricted for	
Grants	\$ 50,000.00
Contingency reserves	164,000.00
Interest reserves	140,177.68
Owner's reserve	<u>59,000.00</u>
	<u>\$ 413,177.68</u>

The grant restricted fund balance represents the receipt of a grant with the specific restriction that the funds be spent on soft cost related to the demolition and start-up of the Planters Warehouse project. As of June 30, 2018, no work had been billed related to the specific purpose designated by the grant. The contingency and interest reserves were established at the time of the loan closing for the Carter Bank & Trust loan. The reserves are related to the Planters Warehouse project construction and its funding. Additional conditions for the construction project required the owner of the Planters Warehouse building to set up a \$59,000.00 reserve for construction cost overages.

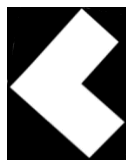
## 10 Commitments and Contingencies

In a prior year, the Authority's one-third interest in the "Cluster Building" in the Virginia Lakeside Commerce Park (VLCP) has been sold to the tenant. As a result of this sale, the VLCP is receiving loan payments. The VLCP consisting of the Chase City IDA, Mecklenburg County IDA, and the Economic Development Authority of the Town of Clarksville, Virginia have entered into a modified agreement whereas all available funds have been placed in a joint account where proceeds are to be used for economic development purposes.

## 11 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through September 18, 2018.

**COMPLIANCE**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
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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  
Economic Development Authority of the Town of Clarksville, Virginia  
A Component Unit of the Town of Clarksville, 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 *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 the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia's basic financial statements and have issued our report thereon dated September 18, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, 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. 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 Economic Development Authority of the Town of Clarksville, Virginia, a Component Unit of the Town of Clarksville, 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*.

### 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  
September 18, 2018