

ECONOMIC DEVELOPMENT AUTHORITY
OF
ROCKBRIDGE COUNTY, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

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**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

BOARD OF DIRECTORS

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TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Net Position.....	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS
ECONOMIC DEVELOPMENT AUTHORITY OF ROCKBRIDGE COUNTY, VIRGINIA
LEXINGTON, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Economic Development Authority of Rockbridge County, Virginia, as of and for the year ended June 30, 2020, 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 Rockbridge County, Virginia, as of June 30, 2020, 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.

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 January 14, 2021, on our consideration of Economic Development Authority of Rockbridge 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 Rockbridge 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 Economic Development Authority of Rockbridge County, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 14, 2021

FINANCIAL STATEMENTS

**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

Exhibit 1

**Statement of Net Position
June 30, 2020**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 310,035
Prepaid expenses	<u>3,333</u>
Total current assets	\$ <u>313,368</u>
Total Assets	\$ <u><u>313,368</u></u>

NET POSITION

Net Position:

Unrestricted	\$ <u>313,368</u>
Total Net Position	\$ <u><u>313,368</u></u>

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

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

Nonoperating Revenues:

Interest income	\$	653
Contributions Rockbridge County, Virginia		2,000
Community Foundation Contributions		14,800
Total nonoperating revenues	\$	<u>17,453</u>

Nonoperating Expenses:

Administrative fees	\$	1,787
Economic development payments to subrecipients		1,548
Economic development payments to subrecipients for COVID Relief		41,453
Contribution to capital project		52,681
Total nonoperating expenses	\$	<u>97,469</u>

Change in net position	\$	(80,016)
Net position, beginning of year		<u>393,384</u>
Net position, end of year	\$	<u><u>313,368</u></u>

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

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from noncapital and related financing activities:	
Locality contributions	\$ 2,000
COVID 19 Relief Fund	14,800
Prepaid Expenditures	(3,333)
Administrative Fees	(1,787)
Economic development payments to subrecipients	(1,548)
Economic development payments to subrecipients for COVID Relief	(41,453)
Contribution to capital project	<u>(52,681)</u>
Net cash provided by (used for) noncapital and related financing activities	\$ <u>(84,002)</u>
Cash flows from investing activities:	
Interest received	\$ <u>653</u>
Net cash provided by (used for) investing activities	\$ <u>653</u>
Increase (decrease) in cash and cash equivalents	\$ (83,349)
Cash and cash equivalents (including restricted cash), beginning	<u>393,384</u>
Cash and cash equivalents (including restricted cash), ending	\$ <u><u>310,035</u></u>

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

**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020**

NOTE 1—NATURE OF BUSINESS:

Economic Development Authority of Rockbridge County, Virginia was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of Rockbridge, Virginia on April 10, 1967 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 of Rockbridge County, Virginia. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia. The Authority is not considered a component unit of the County of Rockbridge.

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 revenue bonds is 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 collateralized by a deed of trust on those facilities.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basic Financial Statements

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis (management has elected not to prepare the MD&A in the current year)
- Enterprise fund financial statements
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

B. Basis of Accounting

Economic Development Authority of Rockbridge County, Virginia 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 accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020 (CONTINUED)**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED):

B. Basis of Accounting (Continued)

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 sale of property held for resale, charges to industries for bond fees and lease revenue. Operating expenses include contributions to industries, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less. The Authority considers all bank accounts to be cash and cash equivalents.

D. 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.

E. Net Position

For government-wide reporting as well as in propriety funds, 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 consist of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, constructions, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, of 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.

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 government-wide and propriety fund 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.

**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020 (CONTINUED)**

F. Pass-through Financing of Leases and Installment Sales

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

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 lease provisions eliminate any equity interest that would otherwise be retained with the transactions. Deeds of trust collateralize outstanding bond obligations and title will pass to the lessee or purchaser when the bonds are fully paid.

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits or asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets, liabilities, rental income, or interest expense in its financial statements for the pass-through lease or installment sales.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2020.

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. The Authority does not have any deferred inflows of resources as of June 30, 2020.

H. Capital Assets

Capital assets, which consist of land, are reported in the financial statements. 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 two years. Such assets are recorded at historical cost. Donated assets are recorded at their acquisition value on the date donated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest attributable to capitalized assets as of June 30, 2020.

Depreciation applicable to operating facilities constructed with contributions is amortized by the straight-line method at rates sufficient to amortize the contributions over the estimated useful lives of the related plant. Maintenance and repairs are charged to expense as incurred; material renewals and betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

As of June 30, 2020, the Authority held no capital assets.

**ECONOMIC DEVELOPMENT AUTHORITY OF
ROCKBRIDGE COUNTY, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020 (CONTINUED)**

NOTE 3—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, 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). There were no investments at year end June 30, 2020.

NOTE 4—COVID-19 PANDEMIC SUBSEQUENT DISCLOSURE:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Rockbridge, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. The County of Rockbridge received the CRF allocation and will disburse funds to the Authority as they see fit.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2021 will be returned to the federal government.

COMPLIANCE



**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 BOARD OF DIRECTORS
ECONOMIC DEVELOPMENT AUTHORITY OF ROCKBRIDGE COUNTY, VIRGINIA
LEXINGTON, 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 Economic Development Authority of Rockbridge County, Virginia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Economic Development Authority of Rockbridge County, Virginia's basic financial statements and have issued our report thereon dated December 31, 2020.

Internal Control over Financial Reporting

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

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

Staunton, Virginia
January 14, 2021