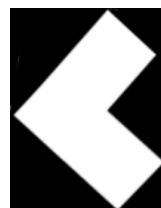


*Economic Development Authority of the Town of Clarksville, Virginia
A Component Unit of the Town of Clarksville, Virginia*

Comprehensive Annual Financial Report

Years Ended June 30, 2016 and 2015



*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, 2016 and 2015

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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, 2016

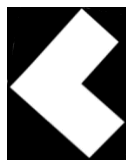
Board of Directors

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*

*James A. Allen, Jr., CPA
Nadine L. Chase, 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, 2016 and 2015, 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, 2016 and 2015, 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 August 25, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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
August 25, 2016

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, 2016 and 2015

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, 2016 and 2015. Please read this information in conjunction with the Economic Development Authority of the Town of Clarksville, Virginia's 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Total Assets	<u>\$ 1,794,585.49</u>	<u>\$ 1,795,093.28</u>
Total Liabilities	\$ 27,181.11	\$ 42,390.07
Net Position		
Capital Assets	1,661,380.81	1,673,790.23
Unrestricted	<u>106,023.57</u>	<u>78,912.98</u>
Total Liabilities and Net Position	<u>\$ 1,794,585.49</u>	<u>\$ 1,795,093.28</u>

The financial position of the Authority decreased in 2016. Assets decreased by .03 percent while liabilities decreased by 35.9 percent.

Change in Net Position. A summary and prior year comparison of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for 2016 and 2015 is presented as follows:

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

	<u>2016</u>	<u>2015</u>
Operating Revenues	\$ 66,000.00	\$ 66,000.00
Operating Expenses	<u>49,865.88</u>	<u>49,800.46</u>
Net Operating Income	16,134.12	16,199.54
Non-Operating Revenues	-	-
Non-Operating Expenses	<u>1,432.95</u>	<u>2,234.38</u>
Net Non-Operating Losses	<u>(1,432.95)</u>	<u>(2,234.38)</u>
Changes in Net Position	<u>\$ 14,701.17</u>	<u>\$ 13,965.16</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 2016, operating expenses resulted primarily from depreciation of capital assets, contributions, and professional services.

There were no non-operating revenues. Non-operating expenses consisted of interest expense and amortized loan fees.

Net position increased \$14,701.17 in 2016 due to rents collected exceeding operating and non-operating expenditures.

Cash Flows. A summary of the Authority's Statements of Cash Flows for 2016 and 2015 are presented below:

Condensed Statements of Cash Flows

	<u>2016</u>	<u>2015</u>
Cash Provided by (Used in)		
Operating activities	\$ 36,752.50	\$ 44,417.90
Financing activities	(16,501.62)	(23,126.64)
Investing activities	<u>-</u>	<u>-</u>
Net Increase in Cash	<u>\$ 20,250.88</u>	<u>\$ 21,291.26</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, 2016, as rental income from current and prior years' rentals was sufficient to meet the years' obligations.

Cash flows used by financing were a result of the Authority making payments on prior period loans including both principal and interest. Cash flows from investments amount to \$-0-, as there were no capital purchases during the year.

During fiscal year 2016, there was an increase of \$20,250.88 in cash. The difference is primarily a result of rental receipts from industrial sites exceeding operating and non-operating cost.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets. As of June 30, 2016, the Authority's net investment in capital assets totals \$1,661,380.81 , which is net capital assets less related debt.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 1,102,747.42	\$ -	<u>\$ 1,102,747.42</u>
Buildings and systems	<u>965,887.30</u>	<u>-</u>	<u>965,887.30</u>
Total Capital Assets	2,068,634.72	-	<u>2,068,634.72</u>
Less: Accumulated depreciation	<u>353,954.42</u>	<u>27,618.38</u>	<u>381,572.80</u>
Net Capital Assets	<u>\$ 1,714,680.30</u>	<u>\$ (27,618.38)</u>	<u>\$ 1,687,061.92</u>

Long-Term Debt. As of June 30, 2016, the Authority's long-term obligations total \$25,681.11 .

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities			
Long-term debt	<u>\$ 40,890.07</u>	<u>\$ (15,208.96)</u>	<u>\$ 25,681.11</u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 100,147.74	\$ 79,896.86
Rents receivable	<u>7,000.00</u>	<u>-</u>
Total Current Assets	107,147.74	79,896.86
Capital Assets		
Land	438,853.41	438,853.41
Land improvements	663,894.01	663,894.01
Buildings	949,735.20	949,735.20
Equipment	16,152.10	16,152.10
Less: Accumulated depreciation	<u>(381,572.80)</u>	<u>(353,954.42)</u>
Net Capital Assets	1,687,061.92	1,714,680.30
Other Assets		
Loan fees	2,104.38	2,104.38
Amortization of loan fees	<u>(1,728.55)</u>	<u>(1,588.26)</u>
Total Other Assets	<u>375.83</u>	<u>516.12</u>
Total Assets	<u>\$ 1,794,585.49</u>	<u>\$ 1,795,093.28</u>
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,500.00	\$ 1,500.00
Notes payable - current portion	<u>9,014.26</u>	<u>14,473.89</u>
Total Current Liabilities	10,514.26	15,973.89
Long-Term Liabilities		
Notes payable - less current portion	<u>16,666.85</u>	<u>26,416.18</u>
Total Liabilities	27,181.11	42,390.07
Net Position		
Net investment in capital assets	1,661,380.81	1,673,790.23
Unrestricted	<u>106,023.57</u>	<u>78,912.98</u>
Total Net Position	<u>1,767,404.38</u>	<u>1,752,703.21</u>
Total Liabilities and Net Position	<u>\$ 1,794,585.49</u>	<u>\$ 1,795,093.28</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Rental income	\$ <u>66,000.00</u>	\$ 66,000.00
Total Operating Revenues	<u>66,000.00</u>	66,000.00
Operating Expenses		
Marketing consultant	18,000.00	18,000.00
Depreciation	27,618.38	28,218.36
Professional fees	2,724.00	3,243.00
Advertising	188.50	107.00
Insurance	265.00	215.00
Meeting expense	134.00	-
Miscellaneous	<u>936.00</u>	<u>17.10</u>
Total Operating Expenses	<u>49,865.88</u>	<u>49,800.46</u>
Net Operating Income	16,134.12	16,199.54
Non-Operating Revenues	-	-
Non-Operating Expenses		
Interest	1,292.66	2,094.09
Amortization of loan fees	<u>140.29</u>	<u>140.29</u>
Total Non-Operating Expenses	<u>1,432.95</u>	<u>2,234.38</u>
Net Non-Operating Losses	<u>(1,432.95)</u>	<u>(2,234.38)</u>
Change in Net Position	14,701.17	13,965.16
Net Position - Beginning of Year	<u>1,752,703.21</u>	<u>1,738,738.05</u>
Net Position - End of Year	<u><u>\$1,767,404.38</u></u>	<u><u>\$1,752,703.21</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Rents	\$ 59,000.00	\$ 66,000.00
Payment to suppliers	<u>(22,247.50)</u>	<u>(21,582.10)</u>
Net Cash Provided by Operating Activities	36,752.50	44,417.90
Cash Flows from Financing Activities		
Interest and fee expense	(1,292.66)	(2,094.09)
Principal payments on loans	<u>(15,208.96)</u>	<u>(21,032.55)</u>
Net Cash Used in Financing Activities	(16,501.62)	(23,126.64)
Cash Flows from Investing Activities		
Purchase of capital assets	<u>-</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>-</u>
Increase in Cash and Cash Equivalents	20,250.88	21,291.26
Cash and Cash Equivalents - Beginning of Year	<u>79,896.86</u>	<u>58,605.60</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 100,147.74</u></u>	<u><u>\$ 79,896.86</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 16,134.12	\$ 16,199.54
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation and amortization	27,618.38	28,218.36
Decrease in rents payable	<u>(7,000.00)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 36,752.50</u></u>	<u><u>\$ 44,417.90</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

Notes to the Financial Statements

Year Ended June 30, 2016

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.

Reclassifications

Certain items in the 2015 financial statements have been reclassified to conform to the classifications used in the 2016 financial statements.

Adoption of New GASB Statements

During the fiscal year ended June 30, 2016, the Authority adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

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

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3 Cash Equivalents

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

	Book Balance		Bank Balance	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Cash in bank accounts	<u>\$ 100,147.74</u>	<u>\$ 79,896.86</u>	<u>\$ 100,329.61</u>	<u>\$ 81,000.96</u>

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 :

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital Assets Not Being Depreciated				
Land	\$ 288,853.41	\$ -	\$ -	\$ 288,853.41
Land - joint venture	<u>150,000.00</u>	<u>-</u>	<u>-</u>	<u>150,000.00</u>
Total Capital Assets Not Being Depreciated	438,853.41	-	-	438,853.41
Other Capital Assets				
Buildings and systems	965,887.30	-	-	965,887.30
Land improvements	<u>663,894.01</u>	<u>-</u>	<u>-</u>	<u>663,894.01</u>
Total Other Capital Assets	1,629,781.31	-	-	1,629,781.31
Less: Accumulated depreciation for				
Other Capital Assets	<u>353,954.42</u>	<u>27,618.38</u>	<u>-</u>	<u>381,572.80</u>
Total Accumulated Depreciation	<u>353,954.42</u>	<u>27,618.38</u>	<u>-</u>	<u>381,572.80</u>
Net Other Capital Assets	<u>1,275,826.89</u>	<u>(27,618.38)</u>	<u>-</u>	<u>1,248,208.51</u>
Net Capital Assets	<u>\$ 1,714,680.30</u>	<u>\$ (27,618.38)</u>	<u>\$ -</u>	<u>\$ 1,687,061.92</u>

5 Operating Leases

Lake Country Industrial Park

The Authority has made significant improvements to the property located on Noblin Farm Road including a 30,000 square foot shell building. The Authority has committed to a lease/purchase agreement on the shell building. The lease has a 148-month term ending August 31, 2018. Rental payments of \$3,500.00 began on September 1, 2006. The leased property can be purchased at any time during the agreement for the remaining balance.

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 11 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>
2017	\$ 42,000.00	\$ 24,000.00	\$ 66,000.00
2018	42,000.00	24,000.00	66,000.00
2019	7,000.00	24,000.00	31,000.00
2020	-	24,000.00	24,000.00
2021	-	6,000.00	6,000.00
Total	<u>\$ 91,000.00</u>	<u>\$ 102,000.00</u>	<u>\$ 193,000.00</u>

6 Notes Payable

The Authority has borrowed funds for the purpose of partially funding construction at the ROES site in the Virginia Lakeside Commerce Park. The terms and conditions of these notes are detailed as follows:

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.

Industrial Development Authority of Mecklenburg County, Virginia

The Authority has procured a \$100,000.00 loan through the Industrial Development Authority of Mecklenburg County, Virginia. The loan which was also originated on March 18, 2004 required no interest until December 31, 2006. Beginning on January 1, 2007, the note carried a 4.0% interest rate. The note calls for 107 equal payments of \$1,104.10 beginning on February 1, 2007 through December 1, 2015 with a final payment due on January 1, 2016. The loan is secured by a second deed of trust on the ROES property.

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, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Lake Country Development Corporation	\$ 34,342.50	\$ -	\$ 8,661.39	\$ 25,681.11	\$ 9,014.26
Industrial Development Authority of Mecklenburg County, Virginia	<u>6,547.57</u>	<u>-</u>	<u>6,547.57</u>	<u>-</u>	<u>-</u>
Total Debt	<u>\$ 40,890.07</u>	<u>\$ -</u>	<u>\$ 15,208.96</u>	<u>\$ 25,681.11</u>	<u>\$ 9,014.26</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>
2017	\$ 9,014.26	\$ 863.18	\$ 9,877.44
2018	9,381.51	495.93	9,877.44
2019	<u>7,285.34</u>	<u>122.74</u>	<u>7,408.08</u>
Total	<u>\$ 25,681.11</u>	<u>\$ 1,481.85</u>	<u>\$ 27,162.96</u>

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 Net Position

Due to unsatisfactory payment performances by prior tenants, as well as initial incentives of reduced payments to tenants, the Authority has experienced periods of negative cash flow. The Town of Clarksville, Virginia agreed to fund the operating shortfall until such time as the Authority could generate sufficient revenues to offset operating expenses and debt curtailment obligations. As of June 30, 2016, the unrestricted net position balance was \$106,023.57. During the fiscal year, the Town did not fund the Authority to meet required expenditures as rental income was more than sufficient to meet cash flow needs.

9 Litigation

At June 30, 2016, 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.

10 Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2016, all of the Authority's bank balance of \$100,147.74 was collateralized in accordance with the Virginia Security of Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by the FDIC. Therefore, as of fiscal year end, the Authority had no custodial credit risk regarding this depository relationship.

11 Commitments and Contingencies

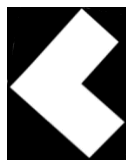
The Authority's one-third interest in the "Cluster Building" in the Virginia Lakeside Commerce Park (VLCP) has been sold to the tenant. As a result of this sale, the VLCP is receiving loan payments. Pursuant to the VLCP operating agreement, excess proceeds are to first be applied to the respective note receivable to the three Authorities. Upon satisfaction of those obligations, the remaining excess proceeds are to be transferred to each Authority in equal distributions. Pursuant to Paragraph 9 of the operating agreement, these excess distributions are to be returned by the Authorities for the express purpose of economic development, whether within the VLCP or elsewhere in Mecklenburg County. Mecklenburg County, Virginia is acting as agent for the Economic Development Authority of the Town of Clarksville, Virginia regarding the receipt and use of the sale/loan proceeds. There were no proceeds received from Mecklenburg County during the fiscal years herein presented. At this time, the joint economic development authorities are planning to review the financial activity of the Virginia Lakeside Commerce Park to determine the amount, the overall collectability, and timing of potential future payments.

Due to the uncertain nature of the debt repayment from the project, the Clarksville Economic Development Authority has chosen not to reflect the original note receivable on its balance sheet.

12 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.

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 then ended June 30, 2016, 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 August 25, 2016.

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
August 25, 2016