

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

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

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**

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

BOARD OF DIRECTORS

Joe Wood, Chairman

Tom Richardson, Secretary

Pat Haynes, Treasurer

Charles Thomas Black

Ramona Garcia

Shawn Puller

David Hahn

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF THE BOARD OF DIRECTORS
ECONOMIC DEVELOPMENT AUTHORITY OF BATH COUNTY, VIRGINIA
WARM SPRINGS, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, 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 Bath County, Virginia (a component unit of the County of Bath, 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 June 30, 2021, on our consideration of the Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, 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 EDA of Bath 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 Bath County, Virginia (a component unit of the County of Bath, Virginia)'s internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
June 30, 2021

FINANCIAL STATEMENTS

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

Exhibit 1

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

ASSETS

Current Assets:

Cash and cash equivalents	\$ 265,927
Total current assets	<u>\$ 265,927</u>

Noncurrent Assets:

Capital Assets:

Land	\$ 42,799
Buildings and improvements	365,661
Accumulated depreciation	<u>(213,869)</u>
Total noncurrent assets	<u>\$ 194,591</u>

Total assets	<u>\$ 460,518</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 525
Unearned revenue	<u>30,000</u>

Total liabilities	<u>\$ 30,525</u>
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NET POSITION

Investment in capital assets	\$ 194,591
Unrestricted	<u>235,402</u>
Total net position	<u>\$ 429,993</u>

Total liabilities and net position	<u><u>\$ 460,518</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**ECONOMIC DEVELOPMENT AUTHORITY OF
BATH COUNTY VIRGINIA**

Exhibit 2

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

Operating Revenues:	
CARES Grant	\$ 134,725
Lease Revenue	<u>36,000</u>
Total operating income	\$ <u>170,725</u>
Operating Expenses:	
Repairs and Maintenance	\$ 733
Attorney Fees	4,841
Emergency Business Grants	134,725
Postage	56
Property Insurance	3,723
Professional Fees	1,000
Depreciation Expense	10,073
Miscellaneous	<u>1,036</u>
Total operating expenses	\$ <u>156,187</u>
Operating income (loss)	\$ <u>14,538</u>
Nonoperating Revenues (Expenses):	
Interest Income	\$ 2,072
Gain (loss) on sale of assets	<u>(18,500)</u>
Total nonoperating income (expenses)	\$ <u>(16,428)</u>
Change in net position	\$ (1,890)
Net position, beginning of year	<u>431,883</u>
Net position, end of year	\$ <u><u>429,993</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 operating activities:	
Lease revenue	\$ 36,000
Grant revenue	164,725
Payments for operating expenses	<u>(145,589)</u>
Net cash provided by (used for) operating activities	\$ <u>55,136</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	\$ 4,500
Purchase of capital assets	<u>(4,758)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(258)</u>
Cash flows from investing activities:	
Interest received	\$ <u>2,072</u>
Net cash provided (used) by investing activities	\$ <u>2,072</u>
Increase (decrease) in cash and cash equivalents	\$ 56,950
Cash and cash equivalents, beginning of year	<u>208,977</u>
Cash and cash equivalents, end of year	\$ <u><u>265,927</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 14,538
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	10,073
Increase (decrease) in unearned revenue	30,000
Increase (decrease) in payables and accrued expenses	<u>525</u>
Net cash provided by (used for) operating activities	\$ <u><u>55,136</u></u>

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1—ORGANIZATION AND DESCRIPTION OF THE ENTITY:

The Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, Virginia) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of Bath, Virginia on April 09, 1974 pursuant to the provisions of the Economic Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia [1950 as amended]). The Authority is governed by seven directors appointed by the Board of Supervisors. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

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. 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 basic 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

The Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, 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.

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

NOTES TO FINANCIAL STATEMENTS
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 maturities of 90 days or less from the date of acquisition. 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

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

F. Net Position Flow Assumption

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

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

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

H. 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 lessee 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.

On August 1, 2012 the Authority issued a fiduciary lease revenue bond on behalf of the County of Bath, Virginia in the amount of \$9,500,000. The bond was issued to refinance renovation of the Bath County High School. The bond is payable in annual installments of \$770,000 to \$1,065,000 through June 15, 2022, plus biannual interest payments at 2.25%. The outstanding balance of the bond as of June 30, 2020 amounted to \$2,105,000.

I. Capital Assets

Capital assets are recorded at historical cost. Donated assets are recorded at their acquisition value on the date donated. Depreciation is computed using the straight-line method over the assets' estimated useful lives as follows:

Buildings	50 years
Improvements	10 to 20 years

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.

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

**NOTES TO FINANCIAL STATEMENTS
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. According, all deposits are considered fully collateralized.

Investments

Statutes authorize the Authority 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 that has received at least two of the following ratings: P-1 by Moody's Investor Service, Inc.; A-1 by Standard and Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The Authority had no investments at June 30, 2020.

NOTE 4—CAPITAL ASSETS:

A summary of capital assets at June 30, 2020 follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets:				
Land	\$ 65,799	\$ -	\$ (23,000)	\$ 42,799
Buildings and improvements	360,903	4,758	-	365,661
Total capital assets	\$ 426,702	\$ 4,758	\$ (23,000)	\$ 408,460
Accumulated depreciation:				
Buildings and improvements	\$ (203,796)	\$ (10,073)	\$ -	\$ (213,869)
Net capital assets	\$ 222,906	\$ (5,315)	\$ (23,000)	\$ 194,591

Depreciation expense for the year ended June 30, 2020 totaled \$10,073.

NOTE 5—UNEARNED REVENUE:

Unearned revenue of the Economic Development Authority totaling \$30,000 is comprised as the following:

Coronavirus Relief Funding: Coronavirus Relief Funds received under the CARES Act which will be used for eligible expenditures through December 31, 2021 per the terms of the grant.

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 HONORABLE MEMBERS OF THE BOARD OF DIRECTORS
ECONOMIC DEVELOPMENT AUTHORITY OF BATH COUNTY, VIRGINIA
WARM SPRINGS, 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 Bath County, Virginia (a component unit of the County of Bath, 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 Bath County, Virginia (a component unit of the County of Bath, Virginia)'s basic financial statements and have issued our report thereon dated June 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, 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 the Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, Virginia)'s internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Authority of Bath County, Virginia (a component unit of the County of Bath, 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 Bath County, Virginia (a component unit of the County of Bath, 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
June 30, 2021