

ECONOMIC DEVELOPMENT AUTHORITY OF ORANGE COUNTY, VIRGINIA

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2019



ASSURANCE, TAX & ADVISORY SERVICES

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

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INTRODUCTORY SECTION

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

June 30, 2019

Board of Directors

Robert McConnell, District 1
Jack Rickett, District 2
Bill Hager, Vice Chair, District 3
Elizabeth Ross, District 4
Doug Rogers, District 5, Chair
Margaret S. Colby, Town of Gordonsville
Ronnie Rankin, Town of Orange

Members

Lee Frame, District 5
Teel Goodwin, District 3
Phil Geer, Director, Secretary/Treasurer
Thomas Lacheney, County Attorney
R. Bryan David, County Administrator
Dawn M. Watson, Fiscal Agent
Rose Deal, Economic Development Assistant

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Economic Development Authority of Orange County, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Economic Development Authority of Orange County, Virginia (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Authority'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 Authority'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 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 governmental activities and major fund of the Authority, as of June 30, 2019, and the respective changes in financial position 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 the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 Information

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.

YB Marcus, LLP

Harrisonburg, Virginia
November 22, 2019

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
June 30, 2019**

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 139,547
Investments	529,868
Capital assets	<u>1,223,303</u>
Total assets	<u>1,892,718</u>
LIABILITIES	
Accounts payable	<u>104</u>
Total liabilities	<u>104</u>
NET POSITION	
Net investment in capital assets	1,223,303
Unrestricted	<u>669,311</u>
Total net position	<u><u>\$ 1,892,614</u></u>

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

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Economic development	\$ 420,648	\$ 11,140	\$ 438,116	\$ -	\$ 28,608
Total governmental activities	\$ 420,648	\$ 11,140	\$ 438,116	\$ -	28,608
General revenues:					
Unrestricted revenues from use of money					12,224
Total general revenues					12,224
Change in net position					40,832
Net position, beginning					1,851,782
Net position, ending					\$ 1,892,614

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

**BALANCE SHEET – GOVERNMENTAL FUND
June 30, 2019**

	General Fund
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 139,547
Investments	<u>529,868</u>
Total assets	<u><u>\$ 669,415</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	<u>\$ 104</u>
Total liabilities	<u>104</u>
Fund balance:	
Assigned	<u>669,311</u>
Total fund balance	<u>669,311</u>
Total liabilities and fund balance	<u><u>\$ 669,415</u></u>

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

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION**

June 30, 2019

Total fund balance per Balance Sheet - Governmental Fund	\$ 669,311
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,223,303</u>
Net position of governmental activities	<u><u>\$ 1,892,614</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE – GOVERNMENTAL FUND
Year Ended June 30, 2019**

	General Fund
Revenues:	
Revenues from the use of money	\$ 12,224
Charges for services	11,140
Miscellaneous	21,874
Intergovernmental:	
Contribution from Orange County	<u>416,242</u>
Total revenues	<u>461,480</u>
Expenditures:	
Current:	
Community development	414,129
Capital outlay	<u>77,293</u>
Total expenditures	<u>491,422</u>
Net change in fund balance	(29,942)
Fund balance, beginning	<u>699,253</u>
Fund balance, ending	<u><u>\$ 669,311</u></u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net change in fund balance - total governmental fund	\$ (29,942)
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Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report the capital outlay as an expenditure. However, in the
Statement of Activities, the cost of that asset is allocated over its estimated useful
life and reported as a depreciation and amortization expense. This is the amount
by which the capital outlay exceeded depreciation and amortization in the
current period.

70,774

Change in net position of governmental activities

\$ 40,832

ECONOMIC DEVELOPMENT AUTHORITY OF ORANGE COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

The Economic Development Authority of Orange County, Virginia (Authority) was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of Orange, Virginia (County) in May of 1976, pursuant to the provisions of the Economic Development and Revenue Bond Act, Title 15.2, Chapter 49, Sections 15.2-4900 et seq. (formerly Title 15.1, Chapter 33, Sections 15.1-1373, et. seq.) of the *Code of Virginia* of 1950, as amended. The Authority is governed by seven directors appointed by the Board of Supervisors of the County. The Authority is empowered, among other things, to acquire, own, lease, and dispose of any of its facilities and to make loans or grants in furtherance of its purposes as set forth by law, including to promote industry and develop trade by inducing manufacturing, economic, governmental, nonprofit, and commercial enterprises and institutions of higher education to locate in or remain in the Commonwealth of Virginia and further the use of its agricultural products and natural resources.

The Authority is specifically authorized to issue revenue bonds for any of its purposes, including the payment of the cost of its facilities and the payment or retirement of bonds previously issued by the Authority. All bonds issued by the Authority are payable solely from the revenues and receipts derived from the leasing or sale by the Authority of its facilities or any part thereof, or from the payments received by the Authority in connection with its loans. In addition, depending upon the financing structure, the bonds of the Authority may be further secured by a deed of trust or other collateral documents. No bonds of the Authority shall be deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the County.

Note 2. Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation and amortization expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the Authority only has one – the General Fund, which is the Authority’s primary operating fund.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental fund to be available if the revenues are collected within 75 days after year-end. Interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, as applicable, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental fund. If any, proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Cash and cash equivalents: The Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Capital assets: Capital assets, which include land, buildings and buildings improvements, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Maintenance, repairs and minor renewals are charged to operations when incurred. Expenditures/expenses which materially increase values or extend useful lives are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	10-50 years

Net position: Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The Authority did not have any deferred outflows of resources or deferred inflows of resources at June 30, 2019.

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.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Fund equity: The Authority reports fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by the Authority, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts the Authority intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the General Fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Authority's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events: The Authority has evaluated subsequent events through November 22, 2019, the date on which the financial statements were available to be issued.

ECONOMIC DEVELOPMENT AUTHORITY OF ORANGE COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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.

Custodial credit risk (deposits): Custodial credit risk (deposits) is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year-end, none of the Authority's deposits were exposed to custodial credit risk.

Investments: The Authority has investments in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is a professionally managed money market fund and an external investment pool which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Authority's investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned a "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

Investment policy: State statutes authorize local governments and other public bodies to invest in obligations of the United States or its 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, bankers' acceptances, repurchase agreements, and the LGIP.

The Authority does not have a formal investment policy.

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Authority has the following investment subject to recurring fair value measurement as of June 30, 2019:

- Certificates of deposit totaling \$529,868, valued using quoted market prices (level 1 inputs), are classified as long-term investments as of June 30, 2019.

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 612,076	\$ -	\$ 525,312	\$ 1,137,388
Construction in progress	540,453	70,774	(525,312)	85,915
Total capital assets not depreciated	\$ 1,152,529	\$ 70,774	\$ -	\$ 1,223,303

Note 5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To reduce insurance costs and the need for self-insurance, the Authority has coverage with the Virginia Association of Counties Group Self Insurance Association (Association) for liability insurance. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

COMPLIANCE SECTION



**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**

Board of Directors
Economic Development Authority of Orange County, Virginia

We have audited, 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, the financial statements of the Economic Development Authority of Orange County, Virginia (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 over financial reporting 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 Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PB Marcus, LLP

Harrisonburg, Virginia
November 22, 2019