

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018**

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

BOARD OF DIRECTORS

Joe Wood, Chairman

John Fischer, Secretary

Pete Minetree, Treasurer

Charles Thomas Black

Stephen Terry

Laura Shaver

Ramona Garcia

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF THE BOARD OF DIRECTORS
ECONOMIC DEVELOPMENT AUTHORITY OF BATH COUNTY, VIRGINIA (A COMPONENT UNIT OF
THE COUNTY OF BATH, 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, 2018, 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, 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3-5 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 January 17, 2019, 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
January 17, 2019

Management's Discussion and Analysis

As directors of the Economic Development Authority of Bath County, Virginia we offer readers of our financial statements this narrative. The narrative provides an overview and analysis of our financial activities for the fiscal year ending (FYE) June 30, 2018.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

- **Statement of Net Position:** This statement presents information on the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- **Statement of Revenues, Expenses, and Changes in Net Position:** This statement presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

- **Statement of Cash Flows:** This statement reports cash and cash equivalent activities for the year resulting from operating, capital, and related activities.

The basic enterprise fund financial statements are found on pages 6 through 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 6 through 9 of this report.

Financial Highlights of FYE 2018

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of FYE 2018 by \$431,052 (net position), a \$25,939 decrease compared to last fiscal year.
- Total revenues decreased by \$250,000 when compared to last fiscal year. This change reflects the AFID grant obtained during 2017 without an equivalent grant obtained in 2018.
- Total expenses decreased by \$250,000 when compared to FYE 2017 because funds equivalent to the 2017 AFID grant were not granted during 2018.
- The Authority's capital assets showed a net reduction (\$18,480) in 2018 because of the sale of an industrial park facility, offset partially by upgrades to the Bluegrass Woods facility.

Financial Analysis

Net Position – Total net position decreased by \$25,939 compared to FYE 2017. The net decline in the Authority’s total net position invested in capital assets reflects the disposition of the facility abandoned by Bath County Community Hospital, but that reduction was partially offset by continued improvements of the industrial park building leased by Bluegrass Woods.

The Authority uses capital assets to provide services to its customers, so these assets are not available for future spending.

NET POSITION			
June 30, 2018			
	Business-type Activities		
	2018	2017	
Current and other assets	\$ 246,066	\$ 253,550	
Capital Assets	186,799	205,279	
Total Assets	\$ 432,865	\$ 458,829	
Long-term liabilities	\$	\$	
Other liabilities	1,813	1,838	
Total liabilities	\$ 1,813	\$ 1,838	
Net Position:			
Investment in capital assets	\$ 186,799	\$ 205,279	
Unrestricted (deficit)	244,253	251,712	
Restricted			
Total net position	\$ 431,052	\$ 456,991	

Changes in Net Position –

Both Program Revenues and Expenses realized a \$250,000 decrease compared to FYE 2017 reflecting no equivalent during 2018 of the 2017 AFID grant which was passed through to Speyside Bourbon Cooperage as an incentive toward building a stove mill at the Millboro Industrial Park.

The significant decline (\$123,174) in 2018 of Gain on Sale of Assets reflects the loss (\$22,875) in 2018 on the sale of the Millboro clinic property compared to the gain (\$100,299) on the sale of Industrial Park land to Speyside in 2017.

CHANGES IN NET POSITION			
June 30, 2018			
	Business-type Activities		
	2018	2017	
Revenues:			
Program revenues:			
Charges for services	\$ 36,000	\$ 36,000	
Operating grants	-	250,000	
General Revenues:			
Use of money and property	314	148	
Gain/(loss) on sale of capital assets	(22,875)	100,299	
Total Revenues	\$ 13,439	\$ 386,447	
Expenses:			
General & Administrative	\$ 39,378	\$ 37,161	
Grants awarded	-	250,000	
Total expenses	\$ 39,378	\$ 287,161	
Increase (decrease) net position	\$ (25,939)	\$ 99,286	
Net position - beginning	456,991	357,705	
Net position - ending	\$ 431,052	\$ 456,991	

Capital Asset and Debt Administration

Capital Assets –

	CAPITAL ASSETS	
	Net of Depreciation	
	<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 42,799	\$ 50,799
Building and improvements	144,000	154,480
Total	<u>\$ 186,799</u>	<u>\$ 205,279</u>

Additional information on the Authority's capital assets can be found in Note 4 to the financial statements. The decreases in both Land and Building and Improvements from 2017 to 2018 ((\$8,000 and \$88,301 respectively) reflects principally the sale of property and building in Millboro previously used by Bath County Community Hospital (BCCH) as a clinic. When BCCH transferred its clinic operations elsewhere, EDA sold the property to a third party. The reduction (\$126,500) in Building and Improvements resulting from that transaction was offset partially by improvements (\$38,199) during the year to the building leased by Bluegrass Woods.

Long-term Debt – The Authority had no long-term obligations during the discussion period and at the issuance of this report had no plans to enter into long-term obligation.

Economic Factors and the FY 2019 Budgeted Programs

The Authority remains committed to implementing Bath County's Economic Development Strategic Plan and maintain an economic climate that will attract and foster the expansion of existing businesses and industries that create high-wage skilled jobs, diversify the tax base, develop its workforce and encourage people to live and work in the County. To those ends, the Authority is undertaking initiatives as follows:

- The Authority's capital improvement budget will (1) develop the remaining sections of the Industrial Park to become eligible for government grants to attract businesses there, (2) continue to upgrade and maintain the Park's leased facility and (3) explore investment opportunities in other areas of the county
- The Authority's agreement entered into with Omni Homestead and the County will facilitate multi-million \$ investments and improvements to the facilities of the County's largest employer
- During this period of low unemployment, the Authority is working to encourage County businesses and school to take advantage of Commonwealth Department of Labor and Industry workforce development programs and grants for: apprenticeships and other partnering with area educational institutions, and to participate in job fairs
- Spring-boarding off the demonstrated success of the County's Speyside Cooperage incentive programs (where the Authority attracted a new industry by offering a discounted land purchase and procuring government AFID grant), EDA is exploring additional grants for that industry's expansion

All of these factors were considered in preparing the Authority's budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide readers with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Economic Development Authority of Bath County, Virginia P.O. Box 13 Warm Springs, Virginia 24484.

FINANCIAL STATEMENTS

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

Exhibit 1

**Statement of Net Position
June 30, 2018**

ASSETS

Current Assets:

Cash and cash equivalents	\$	<u>246,066</u>
Total current assets	\$	<u>246,066</u>

Noncurrent Assets:

Capital Assets:

Land	\$	42,799
Buildings and improvements		338,199
Accumulated depreciation		<u>(194,199)</u>
Total noncurrent assets	\$	<u>186,799</u>

Total assets	\$	<u>432,865</u>
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LIABILITIES

Liabilities:

Current liabilities:

Accounts payable	\$	<u>1,813</u>
Total liabilities	\$	<u>1,813</u>

NET POSITION

Investment in capital assets	\$	186,799
Unrestricted		<u>244,253</u>
Total net position	\$	<u>431,052</u>

Total liabilities and net position	\$	<u>432,865</u>
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The accompanying notes to financial statements are an integral part of this statement.

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018**

Operating Revenues:	
Lease revenue	\$ <u>36,000</u>
Total operating income	\$ <u>36,000</u>
Operating Expenses:	
Repairs and maintenance	\$ 13,136
Utilities	1,869
Attorney Fees	7,825
Postage	61
Office expenses	74
Property Insurance	3,684
Depreciation expense	10,729
Miscellaneous	<u>2,000</u>
Total operating expenses	\$ <u>39,378</u>
Operating income (loss)	\$ <u>(3,378)</u>
Nonoperating Revenues (Expenses):	
Interest Income	\$ 314
Gain (loss) on sale of assets	<u>(22,875)</u>
Total nonoperating income (expenses)	\$ <u>(22,561)</u>
Change in net position	\$ (25,939)
Net position, beginning of year	<u>456,991</u>
Net position, end of year	\$ <u><u>431,052</u></u>

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

**Statement of Cash Flows
Year Ended June 30, 2018**

Cash flows from operating activities:	
Lease revenue	\$ 36,000
Payments to suppliers	<u>(28,674)</u>
Net cash provided by (used for) operating activities	\$ <u>7,326</u>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	\$ 23,075
Purchase of capital assets	<u>(38,199)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(15,124)</u>
Cash flows from investing activities:	
Interest received	\$ <u>314</u>
Net cash provided (used) by investing activities	\$ <u>314</u>
Increase (decrease) in cash and cash equivalents	\$ (7,484)
Cash and cash equivalents, beginning of year	<u>253,550</u>
Cash and cash equivalents, end of year	<u><u>\$ 246,066</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (3,378)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	10,729
Increase (decrease) in payables and accrued expenses	<u>(25)</u>
Net cash provided by (used for) operating activities	\$ <u><u>7,326</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, 2018**

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:

- Required supplementary information
 - Management’s discussion and analysis
- 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, 2018 (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, 2018.

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, 2018.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 (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, 2018 amounted to \$4,120,000.

I. Capital Assets

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

Buildings and Improvements	50 years
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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, 2018 (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 and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Authority had no investments at June 30, 2018.

NOTE 4—CAPITAL ASSETS:

A summary of capital assets at June 30, 2018 follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets:				
Land	\$ 50,799	\$ -	\$ (8,000)	\$ 42,799
Buildings and improvements	426,500	38,199	(126,500)	338,199
Total capital assets	<u>\$ 477,299</u>	<u>\$ 38,199</u>	<u>\$ (134,500)</u>	<u>\$ 380,998</u>
Accumulated depreciation:				
Buildings and improvements	(272,020)	(10,729)	88,550	(194,199)
Net capital assets	<u>\$ 205,279</u>	<u>\$ 27,470</u>	<u>\$ (45,950)</u>	<u>\$ 186,799</u>

Depreciation expense for the year ended June 30, 2018 totaled \$10,729.

NOTE 5—SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Authority has evaluated events and transactions for potential recognition or disclosure through January 17, 2019, the date the financial statements were available to be issued.

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 (A COMPONENT UNIT OF THE
COUNTY OF BATH, 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, 2018, 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 January 17, 2019.

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) 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 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 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.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 17, 2019