

ECONOMIC DEVELOPMENT AUTHORITY

OF CARROLL COUNTY, VIRGINIA

(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report		1-3
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Statement of Net Position	1	4
Statement of Revenues, Expenses and Changes in Net Position	2	5
Statement of Cash Flows	3	6
Notes to Financial Statements		7-17
		<u>Page</u>
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 <i>Government Auditing Standards</i>		18-19

FINANCIAL SECTION



Independent Auditors' Report

**To the Board of Directors
Carroll County Economic Development Authority
Hillsville, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Carroll County Economic Development Authority, component unit of Carroll County, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Carroll County Economic Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Carroll County Economic Development Authority, as of June 30, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carroll County Economic Development Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carroll County Economic Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Carroll County Economic Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carroll County Economic Development Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 February 7, 2024, on our consideration of Carroll County Economic Development 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.

Other Reporting Required by *Government Auditing Standards* (Continued)

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 Carroll County Economic Development Authority'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 Carroll County Economic Development Authority's internal control over financial reporting and compliance.

Polina, Faver, Cox Associates

Blacksburg, Virginia
February 7, 2024

Basic Financial Statements

Economic Development Authority of Carroll County, Virginia
(Component Unit of County of Carroll County, Virginia)
Statement of Net Position
June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,183,439
Interest receivable	134,788
Prepaid expenses	184
Accounts receivable	5,655
Due from primary government	27,000
Notes receivable - current portion	25,317
Lease receivable - current portion	249,630
Financed purchase receivable - current portion	532,803

Total current assets \$ 2,158,816

Noncurrent assets:

Assets held for resale:

Industrial sites	\$ 979,308
Cash and cash equivalents - restricted	308,938
Notes receivable - net of current portion	2,244,695
Lease receivable - net of current portion	21,646
Financed purchase receivable - net of current portion	9,201,050

Capital assets (net of depreciation):

Land and land rights	96,500
Construction in progress	63,464
Buildings and improvements	643,058

Total capital assets (net of depreciation) \$ 803,022

Total noncurrent assets \$ 13,558,659

Total assets \$ 15,717,475

LIABILITIES

Current liabilities:

Accounts payable	\$ 8,268
Accrued interest payable	81,074
Lease revenue bonds/notes payable - current portion	676,351

Total current liabilities \$ 765,693

Noncurrent liabilities:

Lease revenue bonds/notes payable - net of current portion	\$ 9,396,397
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Total noncurrent liabilities \$ 9,396,397

Total liabilities \$ 10,162,090

DEFERRED INFLOWS OF RESOURCES

Leases receivable related items	\$ 240,121
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Total deferred inflows of resources \$ 240,121

NET POSITION

Net investment in capital assets	\$ 475,813
Restricted	308,938
Unrestricted	4,530,513

Total net position \$ 5,315,264

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

Economic Development Authority of Carroll County, Virginia
(Component Unit of County of Carroll County, Virginia)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES

Lease income	\$	220,967
		220,967
Total operating revenues	\$	220,967

OPERATING EXPENSES

Professional services	\$	65,520
Facilities repair and maintenance		6,358
Insurance		14,363
Miscellaneous		1,344
Depreciation		55,688
		143,273

Total operating expenses	\$	143,273
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Net operating income (loss)	\$	77,694
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NONOPERATING REVENUES (EXPENSES)

Financed purchase revenue	\$	139,599
Gain (loss) on sale of capital asset		(4,196)
Contributions from primary government		144,000
Grants and incentives		(160,113)
Interest income		188,641
Interest expense		(308,988)
		(1,057)

Total nonoperating revenues (expenses)	\$	(1,057)
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Change in net position	\$	76,637
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Net position - beginning		5,238,627
		5,238,627

Net position - ending	\$	5,315,264
		5,315,264

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

Economic Development Authority of Carroll County, Virginia
(Component Unit of County of Carroll County, Virginia)
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from others	\$ 214,158
Payments to suppliers for goods and services	(83,909)
Payments for items held for resale	(118,000)
	<hr/>
Net cash provided by (used for) operating activities	\$ 12,249
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Financed purchase revenue	\$ 652,584
Contribution from Carroll County	117,000
Payments received on notes receivable	25,013
Principal payments on indebtedness	(640,429)
Interest expense	(310,690)
Grant expense	(160,113)
	<hr/>
Net cash provided by (used for) noncapital financing activities	\$ (316,635)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on indebtedness	\$ (10,042)
Interest expense	(7,495)
	<hr/>
Net cash provided by (used for) capital and related financing activities	\$ (17,537)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 194,260
	<hr/>
Net cash provided by (used for) investing activities	\$ 194,260
Net increase (decrease) in cash and cash equivalents	\$ (127,663)
Cash and cash equivalents at beginning of year (including restricted cash of \$281,030)	<hr/> 1,620,040
Cash and cash equivalents at end of year (including restricted cash of \$308,938)	<hr/> \$ 1,492,377
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:	
Net operating income (loss)	\$ 77,694
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 55,688
(Increase) decrease in items held for resale	(118,000)
(Increase) decrease in accounts receivable	28,895
(Increase) decrease in lease receivable	212,063
(Increase) decrease in prepaid items	(184)
Increase (decrease) in accounts payable	3,860
Increase (decrease) in deferred inflows-lease related	(220,767)
	<hr/>
Net cash provided by (used for) operating activities	\$ 12,249

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

ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

The following is a summary of more significant policies.

A. Financial Reporting Entity:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Economic Development Authority of Carroll County, Virginia, a component unit of Carroll County, Virginia (The Authority).

The Economic Development Authority of Carroll County, Virginia was created as a governmental subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Carroll County on August 18, 1969, 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 encouraging 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 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 or sale of the facilities constructed and may be secured by a deed of trust on those facilities.

B. Basis of Presentation:

The Authority follows business-type activities requirements, which provides that the following sections be included in the annual financial report:

1. Management discussion and analysis (management has elected to omit this item)
2. Basic financial statements including a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows
3. Notes to financial statements

C. Basis of Accounting:

For financial reporting purposes, the Economic Development Authority of Carroll County is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Proprietary Fund Revenue and Expense Classifications:

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 contributions and charges for services.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including gifts, and other revenue sources that are defined as nonoperating revenues.

Nonoperating expenses include interest on debt related to the purchase of capital assets, losses on the disposal of capital assets and grant expenses. All other expenses are classified as operating expenses.

E. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority did not have any deferred outflows of resources as of June 30, 2023.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. Certain items related to leases are reported as deferred inflows of resources.

F. Net Position:

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. 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.

Restricted - This category includes restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted - Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted 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.

H. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

I. Capital Assets:

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

As the Authority constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. No depreciation is taken on industrial projects, which are held for the purpose of development and resale. The other tangible and intangible property, plant equipment, infrastructure, and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Machinery and Equipment	3-15
Buildings and Improvements	20-40

J. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these amounts.

ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the Authority considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

L. Other Significant Accounting Policies:

- Accounts receivable, if any, are shown at gross value and no allowance has been taken for doubtful accounts.
- Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

M. Leases

The Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Authority recognizes leases receivable and deferred inflows of resources. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

**ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Pass-through Financing Leases and Installment Sales:

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

The Authority has assigned all rights to the payments to the trustees, agents or the holders of the bonds, and the lessees or purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority neither receives nor disburses funds.

Although title to these properties may rest with the Authority, bargain purchase options or other provisions eliminate any equity interest that would otherwise be retained in the lease transactions. Deeds of trust secure outstanding bond obligations and title will pass to the lessee or purchaser at such time as the bonds are fully paid.

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

NOTE 2—DEPOSITS AND INVESTMENTS:

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 of 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & 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, 2023.

NOTE 3—FINANCED PURCHASE RECEIVABLES:

The following is a summary of financed purchase receivables of the Authority for the year ended June 30, 2023:

<u>Due From:</u>	<u>In Relation to:</u>	Balance Business-type <u>Activities</u>	Amount Due Within <u>One Year</u>	Interest <u>Receivable</u>
Carroll County, Virginia	County Complex	\$ 4,060,300	\$ 252,300	\$ 57,156
Carroll County, Virginia	Fire Truck	270,022	23,432	305
Carroll County School Board	CCHS HVAC	5,251,000	202,000	22,921
Carroll County School Board	RD Bus Lease	152,531	55,071	-
Totals		<u>\$ 9,733,853</u>	<u>\$ 532,803</u>	<u>\$ 80,382</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 3—FINANCED PURCHASE RECEIVABLES: (CONTINUED)

A financed purchase agreement was entered into with the County of Carroll for the construction of a County Complex. Terms of the lease agreement require the County to make payments to the Economic Development Authority of Carroll County that are sufficient to redeem and pay interest on the Economic Development’s lease revenue bond dated July 1, 2005.

A financed purchase agreement was entered into with the County of Carroll for the purchase of a fire truck. Terms of the lease agreement require the County to make payments to the Economic Development Authority of Carroll County that are sufficient to redeem and pay interest on the Economic Development’s lease revenue bond dated August 17, 2018.

A financed purchase agreement was entered into with the Carroll County School Board for renovations to the Carroll County High School. Carroll County School Board pay monthly payments of \$23,256 beginning March 5, 2015 and ending on March 5, 2055.

A financed purchase agreement was entered into with the Carroll County School Board for school buses. The Carroll County School Board will pay monthly payments of \$4,922 beginning on July 7, 2016 and ending on January 2, 2026.

NOTE 4—NOTES RECEIVABLE:

ANG Gas Line Receivable:

During fiscal year 2016, the Authority closed on the sale of the Authority’s natural gas line. The initial purchase price was \$2,200,000, which consisted of a down payment of \$50,000, a note receivable of \$350,000 and an incentive credit of \$1,800,000.

The \$350,000 note receivable will be amortized over a period of 5 years with interest payable at an annual rate equal to prime rate (published in the Wall Street Journal at the closing date) minus one-half percent, with no payments due for 5 years from the closing date. As of June 30, 2023, no payments had been made towards this balance. Accrued interest on the note receivable at June 30, 2023 totaled \$54,149.

The \$1,800,000 note receivable will be forgiven as the purchaser makes capital improvements to the system in the amount of \$2,200,000 in Carroll County over a five-year period.

Credits to the receivable will be given as follows:

Investments	Incentive Credits
First \$750,000	\$ 450,000
Next \$750,000	650,000
Next \$750,000	700,000
Total	\$ 1,800,000

ANG also owes \$2,236 for a note receivable related to personnel costs.

**ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 4—NOTES RECEIVABLE: (CONTINUED)

Holiday Trees, LLC Receivable:

During fiscal year 2017, the Authority closed on the sale of an Industrial Park Property. The purchase price of the property was \$165,000, which consisted of a price of a down payment of \$5,000 and a note receivable of \$160,000. The note is amortized over a period of 15 years with interest payable at an annual rate of 3.00%. As of June 30, 2023, the balance of the note was \$102,776, with accrued interest of \$257.

Blue Ridge Designs Receivable:

In conjunction with the Tobacco Region Revitalization Commission, the Authority has agreed to loan Blue Ridge Designs \$50,000. The Company will repay the Authority which will in turn repay the commission. The principal is to be repaid in 10 semi-annual payments of \$5,000 through August 1, 2024. The loan bears no interest except as required in the event of default. As of June 30, 2023, the balance on the note was \$15,000.

NOTE 5-LEASE RECEIVABLE:

The following is a summary of leases receivable transactions of the Authority for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issurances	Decreases/ Retirements	Ending Balance	Interest Revenue
Leases receivable	\$ 483,339	\$ -	\$ (212,063)	\$271,276	\$22,261

Details of leases receivable:

	Original Issuance Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Vanguard - 565 Industrial Park Drive	7/1/2021	7/31/2024	Monthly	5.75%	\$271,276	\$ 249,630

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ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 6—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 95,500	\$ -	\$ -	\$ 95,500
Land rights	1,000	-	-	1,000
Construction in progress	63,464	-	-	63,464
Total capital assets not being depreciated	<u>\$ 159,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,964</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,113,752	\$ -	\$ -	\$ 1,113,752
Machinery and equipment	97,500	-	-	97,500
Total capital assets being depreciated	<u>\$ 1,211,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,211,252</u>
Accumulated depreciation:				
Buildings and improvements	\$ (415,006)	\$ (55,688)	\$ -	\$ (470,694)
Machinery and equipment	(97,500)	-	-	(97,500)
Total accumulated depreciation	<u>\$ (512,506)</u>	<u>\$ (55,688)</u>	<u>\$ -</u>	<u>\$ (568,194)</u>
Total capital assets being depreciated, net	<u>\$ 698,746</u>	<u>\$ (55,688)</u>	<u>\$ -</u>	<u>\$ 643,058</u>
Business-type activities capital assets, net	<u>\$ 858,710</u>	<u>\$ (55,688)</u>	<u>\$ -</u>	<u>\$ 803,022</u>

The Authority purchases land and buildings for development and resale. Land and buildings purchased for future development by the Economic Development Authority are valued at cost which totals \$979,308. No depreciation is recorded against land and buildings held for resale.

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>
Direct Borrowings and Placements:				
Lease revenue bonds	\$ 9,748,100	\$ -	\$ (436,800)	\$ 9,311,300
Lease revenue notes	495,525	-	(76,286)	419,239
Other notes	479,594	-	(137,385)	342,209
Total	<u>\$ 10,723,219</u>	<u>\$ -</u>	<u>\$ (650,471)</u>	<u>\$ 10,072,748</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize the Authority's long-term obligations and related interest are as follows:

Year Ending June 30,	Direct Borrowings and Placements					
	Lease Revenue Bonds		Lease Revenue Notes		Other Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 454,300	\$ 269,478	\$ 78,619	\$ 11,008	\$ 143,432	\$ 11,726
2025	469,100	255,328	81,022	8,606	26,795	7,335
2026	483,200	240,727	61,848	6,215	11,041	6,845
2027	498,600	225,667	25,445	5,119	11,502	6,384
2028	514,300	210,122	26,154	4,410	11,983	5,903
2029-2033	2,821,700	799,618	142,109	10,712	67,854	21,576
2034-2038	2,489,100	357,228	4,042	10	69,602	6,349
2039-2043	1,581,000	105,704	-	-	-	-
Totals	\$ 9,311,300	\$ 2,463,872	\$ 419,239	\$ 46,080	\$ 342,209	\$ 66,118

Details of indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:							
Lease Revenue Bonds (LRB):							
Capital One Public Funding LRB*	3.42%	10/31/2017	8/1/2035	\$212,600-380,300 a+	\$ 5,200,000	\$ 4,060,300	\$ 252,300
Webster Bank LRB*	2.62%	4/20/2022	11/1/2042	\$193,000-333,000 a+	5,444,000	5,251,000	202,000
Lease Revenue Bonds Total						\$ 9,311,300	\$ 454,300
Lease Revenue Notes (LRN):							
Rural Development School Bus LRN*	3.125%	1/2/2016	1/2/2026	\$4,922 m	\$ 510,000	\$ 149,217	\$ 55,187
Rural Development Fire Truck LRN*	2.75%	8/17/2018	8/17/2033	\$2,547 m	375,000	270,022	23,432
Lease Revenue Notes Total						\$ 419,239	\$ 78,619
Notes:							
Carroll County Note	5.00%	6/29/2014	5/29/2024	\$127,272 a	\$ 1,000,000	\$ 134,543	\$ 123,346
Skyline Cana Rescue Note	2.92% **	9/21/2017	10/1/2037	\$1,383 m	250,000	192,666	10,086
Va Tobacco Commission	0.00%	3/6/2018	8/1/2024	\$12,500 sa	50,000	15,000	10,000
Notes Total						\$ 342,209	\$ 143,432
Total Long-term Obligations						\$ 10,072,748	\$ 676,351

* Lease revenue bond/note is secured by a lease/purchase agreement with the County of Carroll, Virginia.

** Variable rate after 10/1/2022

(a+) - annual principal installments shown; does not include semi-annual interest installments

(m) - monthly installments, including interest

(a) - annual installments, including interest

(sa) - semi-annual installments, zero interest

If an event of default occurs with Capital One Public Funding and Skyline Bank, the principal of the bonds/notes may be declared immediately due and payable to the registered owner of the bonds/notes by written notice to the Authority.

**ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023**

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

If an event of default occurs with Rural Development, the holders of the bonds/notes at their option may declare the entire unpaid principal amount of the bonds/notes then outstanding and accrued interest thereon to be immediately due and payable.

If an event of default occurs with VA Tobacco Commission, the Authority shall repay the remaining amount owed within thirty days of notice from the Commission along with an additional 5% of the amount owed.

NOTE 8—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; injuries to employees; and natural disasters. The Authority participates with other localities in a public entity risk pool for their coverage of general liability, property, and auto insurance with the VACO Risk Management Program. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority paid contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9—CONTINGENCIES:

All obligations under the revenue bonds issued to date are secured by lease purchase agreements and/or the underlying properties. The Authority retains no liability on pass-through leases and installment sales.

NOTE 10—LITIGATION:

As of June 30, 2023, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 11 - UPCOMING PRONOUNCEMENTS:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update-2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

ECONOMIC DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2023

NOTE 11 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Implementation Guide No. 2023-1, *implementation Guidance Update-2023*, effective for fiscal years beginning after June 15, 2023

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Compliance



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Board of Directors
Carroll County Economic Development Authority
Hillsville, 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 Carroll County Economic Development Authority, a component unit of Carroll County, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Carroll County Economic Development Authority's basic financial statements and have issued our report thereon dated February 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carroll County Economic Development Authority'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 Carroll County Economic Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Economic Development 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Economic Development 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 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.

Polina, Farrow, Cox Associates

Blacksburg, Virginia

February 7, 2024