

***WISE COUNTY INDUSTRIAL  
DEVELOPMENT AUTHORITY***  
(A Component Unit of Wise County, Virginia)  
Wise, Virginia

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**AUDIT REPORT**

**Years Ended June 30, 2017 and June 30, 2016**

**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

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# THROWER, BLANTON & ASSOCIATES, P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wise County Industrial Development Authority  
Wise, Virginia 24293

### Report on the Financial Statements

We have audited the accompanying statements of net position of Wise County Industrial Development Authority, as of and for the years ended June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Wise County Industrial Development 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 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 and 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wise County Industrial Development Authority as of June 30, 2017, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Wise County Industrial Development Authority  
Wise, Virginia 24293  
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Other Matters

*Required Supplementary Information*

Management has omitted the *Management 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 January 22, 2018, on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Wise County Industrial Development Authority's internal control over financial reporting and compliance.

  
**THROWER, BLANTON & ASSOCIATES, P.C.**  
Certified Public Accountants  
Norton, Virginia  
January 22, 2018

# THROWER, BLANTON & ASSOCIATES, P.C.

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Wise County Industrial  
Development Authority  
Wise, VA 24293

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and 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 Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Wise County Industrial Development Authority, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Wise County Industrial Development Authority's basic financial statements, and have issued our report thereon dated January 22, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the years ended June 30, 2017 and 2016, we considered the Authority's internal control over financial reporting (internal control) to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Authority's 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 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 preceding paragraph and was not designed to identify all deficiencies in the internal control that might be material deficiencies or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the schedule of Findings and Responses issued in a separate letter to be significant deficiencies (2017-001).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Directors  
Wise County Industrial Development Authority  
Wise, VA 24293  
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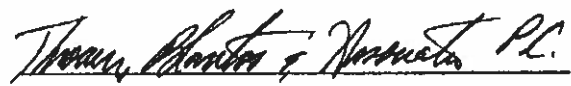
*(Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards)*

The Wise County Industrial Development Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the Schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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 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.

  
**THROWER, BLANTON & ASSOCIATES, P.C.**  
Certified Public Accountants  
Norton, Virginia  
January 22, 2018

**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
Wise, Virginia  
**COMBINED STATEMENTS OF NET POSITION**  
June 30, 2017 and June 30, 2016

Exhibit I

<b><u>ASSETS</u></b>	<b><u>June 30, 2017</u></b>	<b><u>June 30, 2016</u></b>
Cash and cash equivalents	\$ 860,314	\$ 1,893,420
Interest receivable	30,929	25,283
Accounts receivable - net	2,485,767	2,511,284
Due from Wise County	3,629,869	3,917,193
Restricted assets:		
Cash	433,881	47,179
Investments	-	900,000
Interest Receivable	-	296
Property	179,514	179,514
Other Assets	180,000	-
Capital assets - net	<u>37,070,987</u>	<u>34,439,308</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 44,871,261</u></b>	<b><u>\$ 43,913,477</u></b>
 <b><u>LIABILITIES</u></b>		
Accounts payable	\$ 19,668	\$ 2,383,153
Interest Payable	12,013	11,103
Notes payable	<u>15,569,523</u>	<u>11,383,969</u>
 Total Liabilities	 <u>15,601,204</u>	 <u>13,778,225</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	27,617,100	29,483,816
Restricted	613,395	1,126,989
Unrestricted (deficit)	<u>1,039,562</u>	<u>(475,553)</u>
 TOTAL NET POSITION	 <u>29,270,057</u>	 <u>30,135,252</u>
 TOTAL LIABILITIES AND NET POSITION	 <b><u>\$ 44,871,261</u></b>	 <b><u>\$ 43,913,477</u></b>

*See accompanying notes to financial statements*

**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

Exhibit 2

Wise, Virginia  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the Years Ended June 30, 2017 and June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b>OPERATING REVENUES:</b>		
Grants & contributions	\$ 1,474,537	\$ 2,717,469
Rental revenue	459,883	488,533
Recovered costs	53,181	80,549
Other revenue	<u>23,112</u>	<u>3,349</u>
Total Operating Revenues	<u>2,010,713</u>	<u>3,289,900</u>
<b>OPERATING EXPENSES:</b>		
Depreciation	1,300,523	1,084,746
Outside services	8,606	67,020
Taxes and licenses	-	40,456
Utilities	13,515	34,643
Insurance	28,020	27,482
Professional fees	38,567	22,500
Maintenance & repairs	126,189	419,694
Supplies	-	173
Administrative services	51,344	86,077
Development expense	856,602	550,455
Other	14,328	6,073
Donations	<u>519,255</u>	<u>568,894</u>
Total Operating Expenses	<u>2,956,949</u>	<u>2,908,213</u>
Operating Income (Loss)	<u>(946,236)</u>	<u>381,687</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Gain (Loss) on sale of property	14,500	8,116
Insurance recoveries	-	1,062,939
Interest revenue	158,692	228,807
Interest expense	<u>(92,151)</u>	<u>(134,356)</u>
Total Non-Operating Revenues (Expenses)	<u>81,041</u>	<u>1,165,506</u>
Change in net position	(865,195)	1,547,193
Net Position, Beginning of Year	<u>30,135,252</u>	<u>28,588,059</u>
Net Position, End of Year	<u>\$ 29,270,057</u>	<u>\$ 30,135,252</u>

*See accompanying notes to financial statements*



**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

Exhibit 3

Wise, Virginia

**STATEMENT OF CASH FLOWS**

For the Years Ended June 30, 2017 and June 30, 2016

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Rent received from tenants	\$ 459,883	\$ 488,533
Cash received from state and local governments	1,514,537	2,720,126
Cash received from other sources	76,293	236,742
Cash payments to suppliers for goods and services	<u>(4,019,912)</u>	<u>723,430</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,969,199)</u>	<u>4,168,831</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from insurance recovery	-	1,252,810
Receipt of donated restricted assets		
Construction and other improvements	(3,917,702)	(4,032,861)
Drone Licensing Fees	(180,000)	-
Increase in notes receivable and related interest	272,841	(220,596)
Debt principal payments	(845,441)	(2,096,425)
Loan proceeds	5,030,996	2,247,620
Debt interest payments	<u>(91,243)</u>	<u>(123,253)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>269,451</u>	<u>(2,972,705)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on operating funds	<u>153,344</u>	<u>203,270</u>
Net Cash Provided from Investing Activities	<u>153,344</u>	<u>203,270</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,546,404)	1,399,396
Cash and Cash Equivalents, Beginning of Year	<u>2,840,599</u>	<u>1,441,203</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,294,195</u>	<u>\$ 2,840,599</u>
Displayed as:		
Cash and Cash Equivalents, End of Year - unrestricted	\$ 860,314	\$ 1,893,420
Cash and Cash Equivalents, End of Year - restricted	433,881	47,179
Investments - restricted	-	900,000
Total	<u>\$ 1,294,195</u>	<u>\$ 2,840,599</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ (946,236)	\$ 381,687
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,300,523	1,084,746
Noncash Donations	-	567,414
(Increase) decrease in grants receivable	40,000	2,657
(Increase) decrease in accounts receivable	-	152,844
Increase (decrease) in accounts payable	<u>(2,363,486)</u>	<u>1,979,483</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,969,199)</u>	<u>\$ 4,168,831</u>

*See accompanying notes to financial statements*

## WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

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June 30, 2017

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#### 1. **DESCRIPTION OF AUTHORITY**

The Wise County Industrial Development Authority was created as a political sub-division of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Wise County, Virginia in 1970, pursuant to the provision of the Industrial Development and Revenue Board Act. The Authority is governed by eight (8) directors appointed by the Board of Supervisors of Wise County, Virginia. 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 contracting facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom the facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on these facilities.

#### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Financial Statement Presentation**

In June 1999, the Governmental Accounting Standards Board ("GASB") issued *Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for governmental entities throughout the United States. The objective of this statement is to enhance the understanding and usefulness of the external financial reports of governmental entities to the citizenry, legislative and oversight bodies, and investors and creditors.

##### **Operating Cycle and Classification of Assets**

The Authority may realize its assets and liquidate its liabilities in operating cycles which range from very short to very long periods. The accompanying financial statements are presented in a non-classified format because working capital concepts are not indicative of its operating liquidity.

##### **Reporting Entity**

The Wise County Industrial Development Authority is reported as a component unit of the County of Wise, Virginia. The Authority is classified as a component unit of the County as its members are appointed by the Board of Supervisors.

##### **Cash Equivalents**

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

##### **Basis of Accounting**

The Authority utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which they are incurred.

##### **Fund Accounting**

The accounts of the Authority are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The Authority uses the proprietary form of fund accounting. Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are a determination of net income, financial position, and cash flows.

# WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Page 2

June 30, 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, Plant and Equipment

Property, plant and equipment is recorded at cost or estimated cost. Any donated property that may be received will be recorded at market value as of the date of donation. Depreciation for property, plant and equipment has been provided over the following estimated useful lives using the Straight - Line Method:

Buildings	40 years
Building Improvements	10-40 years
Equipment	5-7 years

### 3. CASH AND CASH EQUIVALENTS

#### Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, or covered by federal depository insurance.

#### Investments

##### Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Authority permits investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

##### Fair Value Measurement

The Authority categorized the fair value measurement of its investments based on the hierarchy establish by generally accepts accounting principles. Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments at June 30, 2017 that are measured using Level 1, 2, or 3 inputs.

##### Credit Risk:

As required by state statue, the Authority requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

As of June 30, the Authority held bank certificates of deposits which equaled 100% of its total investments balance.

##### Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

First Bank & Trust Bank	42%
Powell Valley National Bank	58%

**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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June 30, 2017

**3. CASH AND CASH EQUIVALENTS (continued)**

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the Authority's investments are held in a safe deposit box in the Authority's name.

The above items are reflected in the financial statements as follows:

	Primary Government
Deposits and investments:	
Deposits	\$1,294,195
Investments – Certificates of Deposit	-
	<u>\$1,294,195</u>
Statement of net assets:	
Cash and cash equivalents	\$1,294,195
Investments	-
	<u>\$1,294,195</u>

Interest Rate Risk:

As of June 30, the Authority held no certificates of deposit.

**4. PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of property, plant and equipment at June 30, 2017, and June 30, 2016, is as follows:

	Balance June 30, 2017	Balance June 30, 2016
Land – IDA properties	<u>\$ 3,151,648</u>	<u>\$ 3,078,149</u>
Land and improvements – Buchanan Property	<u>\$ 179,514</u>	<u>\$ 179,514</u>
Equipment	\$ 1,978,705	\$ 102,039
Vehicles	43,083	43,083
Buildings and improvements	39,968,400	34,309,248
Construction in progress	-	3,688,350
Less: Accumulated depreciation	<u>( 8,070,849)</u>	<u>( 6,770,326)</u>
Net book value of equipment, vehicles, buildings and improvements and construction in progress	<u>33,919,339</u>	<u>31,361,159</u>
Total capital assets – net book value	<u>\$37,250,501</u>	<u>\$34,618,822</u>

**5. LITIGATION AND CONTINGENT LIABILITIES**

It is the opinion of the Authority's management and legal counsel that there is not any outstanding or pending litigation, claims, or assessments against the Authority which could have a material affect on the Authority's financial statements.

# WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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June 30, 2017

### 6. LONG-TERM DEBT

#### Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Wise County Industrial Development Authority for the year ended June 30, 2017:

	Mortgage Loans Payable at 07/01/16	Borrowings	Retirements	Mortgage Loans Payable at 06/30/17
VCEDA	\$ 1,116,210	\$ 128,706	\$ -	\$ 1,244,916
VCEDA	393,098	-	-	393,098
VCEDA	701,554	-	(18,667)	682,887
VCEDA	1,838,235	-	(176,470)	1,661,765
VCEDA	831,750	-	-	831,750
PVNB	3,880,386	-	(287,987)	3,592,399
VCEDA	825,000	-	(8,310)	816,690
VCEDA	740,653	4,652,289	-	5,392,942
VCEDA	350,000	-	(350,000)	-
VCEDA	-	250,000	(4,007)	245,993
VCEDA	707,083	-	-	707,083
<b>TOTALS</b>	<b>\$11,383,969</b>	<b>\$5,030,995</b>	<b>\$(845,441)</b>	<b>\$15,569,523</b>

#### Details of Long-Term Indebtedness:

Principal  
Balance  
at 06/30/17

#### Mortgage Loans Payable:

Virginia Coalfield Economic Development Authority (VCEDA) - \$5,600,000 mortgage loan dated May 10, 2016 secured by a first deed of trust on real estate (located in Wise County, Virginia) known as the Lonesome Pine Business Center. The terms of the loan agreement call for monthly payments beginning one month after the date of certificate of occupancy on the building. The initial (36) monthly payments shall be \$0 per month, the following 24 monthly payments shall be \$12,604.17 per month, and then the loan shall be due and payable at the rate of \$29,149.31 per month until the loan is paid in full.

\$ 5,392,942

Virginia Coalfield Economic Development Authority (VCEDA) - \$250,000 mortgage loan dated November 15, 2016; secured by a first deed of trust on real estate (located in Wise County, Virginia) known as the Norrisbuilt building at an interest rate of 1.75%. The term of the loan calls for 120 consecutive monthly payments beginning on May 6, 2017.

245,993

Virginia Coalfield Economic Development Authority (VCEDA) - \$1,278,000 mortgage loan dated October 27, 2014; secured by a first deed of trust on real estate (located in Wise County, Virginia) known as the AAERC Build Out. The term of the loan calls for repayment of the loan to be made ten (10) years from the date of the note with no interest.

1,244,916

# WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

Page 5

June 30, 2017

### 6. LONG-TERM DEBT (Continued)

#### Details of Long-Term Indebtedness:

**Principal  
Balance  
at 06/30/17**

#### **Mortgage Loans Payable:**

Virginia Coalfield Economic Development Authority (VCEDA) - \$955,000 line of credit dated March 27, 2009; the line of credit is to be repaid in full with one lump sum balloon payment ten years from the date of the loan. The loan does not bear interest.

707,083

Virginia Coalfield Economic Development Authority (VCEDA) - \$900,000 mortgage loan dated November 1, 2004; secured by Deed of Trust on property located in the Lonesome Pine Technology Park in Wise County, Virginia. The term of the loan calls for repayment of the loan to be made ten (10) years from the date of the note with no interest.

682,887

Virginia Coalfield Economic Development Authority (VCEDA) - \$825,000 mortgage loan dated November 6, 2015; secured by Deed of Trust on real estate in Wise County, Virginia at an interest rate of 1.625%. The term of the loan calls for 120 consecutive monthly payments of \$4,583.25. With \$325,000 to be forgiven if the performance requirements are met by the end of the fifth year from the date of this note. If the performance requirements are not met, then the \$325,000 will be amortized in with the remaining balance of the loan for the remaining 72 months.

816,690

Virginia Coalfield Economic Development Authority (VCEDA) - \$500,000 mortgage loan dated December 10, 2010; secured by Deed of Trust on Buchanan Pump Service equipment and building located in Wise County, Virginia. The term of the loan calls for repayment of the loan to be made ten (10) years from the date of the note with an interest rate of 0%.

393,098

Powell Valley National Bank - \$4,800,000 deed of trust dated 3/12/2013. Interest rate is 2.625%. The term of the loan is for fifteen (15) years. Payments of \$32,385 are due monthly. WCIDA receives monthly rental income of \$32,385 from Wise County Board of Supervisors. This rental income is assigned to make the loan payments.

3,592,399

Virginia Coalfield Economic Development Authority (VCEDA) - \$831,750 mortgage loan dated July 22, 2013. The terms of the loan calls for repayment of the loan to be made ten (10) years from the date of the note with an interest rate of 0%.

831,750

Virginia Coalfield Economic Development Authority (VCEDA) - \$2,000,000 mortgage loan dated November 15, 2013. The terms of the loan calls for repayment of the loan to be made in ten (10) years from the date of the note with an interest rate of 0%.

1,661,765

Total Mortgage Loans Payable at June 30, 2017

\$ 15,569,523

WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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June 30, 2017

6. LONG-TERM DEBT (Continued)

Year(s) Ending June 30,	VCEDA		PVNB		VCEDA		VCEDA		VCEDA		VCEDA	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	23,192	4,119	296,970	91,630	682,887	-	-	-	-	-	-	-
2019	23,601	3,710	304,869	83,752	-	-	-	-	-	-	707,083	-
2020	24,017	3,294	312,773	75,847	-	-	-	-	-	-	-	-
2021	24,441	2,870	321,296	67,324	-	-	-	-	-	-	-	-
2022-2026	128,825	7,730	1,739,184	203,918	-	-	1,661,765	-	1,244,916	-	-	-
2027-2031	21,917	169	617,307	15,371	-	-	-	-	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	\$ 245,993	\$ 21,892	\$ 3,592,399	\$ 537,862	\$ 682,887	\$ -	\$ 1,661,765	\$ -	\$ 1,244,916	\$ -	\$ 707,083	\$ -

Year(s) Ending June 30,	VCEDA		VCEDA		VCEDA		VCEDA		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	47,353	7,646	-	-	-	-	1,050,402	103,415	-	-
2019	48,128	6,871	-	-	-	-	1,083,681	94,333	-	-
2020	48,916	6,083	-	-	-	-	536,956	85,224	-	-
2021	49,717	5,282	-	-	-	-	939,802	75,476	-	-
2022-2026	586,062	13,933	831,750	-	-	-	7,941,462	225,581	-	-
2027-2031	36,514	229	-	-	-	-	2,424,698	15,769	-	-
2032-2036	-	-	-	-	-	-	1,592,522	-	-	-
TOTALS	\$ 816,690	\$ 40,044	\$ 831,750	\$ -	\$ 392,942	\$ -	\$ 15,569,523	\$ 594,798	\$ -	\$ -

**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2017**

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**8. BONDS PAYABLE: (Liability assumed by enterprise for whom facilities were constructed)**

The following schedule is of revenue bonds issued by the Wise County Industrial Development Authority. Liability under the bonds has been assumed by the enterprise for whom the facilities were constructed:

Name of Issue: Industrial Development Authority of Wise County Solid Waste and Sewage Disposal  
Revenue Bonds (Virginia Electric and Power Company Project) Series 2009A

Description of Facility: Construction of certain wastewater treatment facilities constituting part of a  
585-megawatt electric power generating station in St. Paul, Virginia

Date of Issue: September 30, 2009

Name of Trustee: U.S. Bank National Association

Revenue Bond Amount at Issue Date: \$160,000,000

Maturity Date: October 1, 2040

Interest rate: SIFMA Index Rate plus 1.50%

Name of Issue: Industrial Development Authority of Wise County Solid Waste and Sewage Disposal  
Revenue Bonds (Virginia Electric and Power Company Project) Series 2010A (non-AMT)

Description of Facility: Construction of certain wastewater treatment facilities constituting part of a  
585-megawatt electric power generating station in St. Paul, Virginia

Date of Issue: November 1, 2010

Name of Trustee: U.S. Bank National Association

Revenue Bond Amount at Issue Date: \$105,000,000

Maturity Date: November 1, 2040

Interest rate: SIFMA Index Rate plus 1.50%



**WISE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**June 30, 2017**

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**8. BONDS PAYABLE: (Liability assumed by enterprise for whom facilities were constructed) (continued)**

Name of Issue: Industrial Development Authority of Wise County Hospital Revenue Bonds  
(Mountain States Health Alliance) Series 2012c

Description of Facility: Design, acquisition, construction, renovation and equipping of hospital  
facilities within Wise County

Date of Issue: September 1, 2012

Name of Trustee: The Bank of New York Mellon Trust Company, N.A.

Revenue Bond Amount at Issue Date: \$9,785,000

Maturity Date: August 15, 2042

Interest rate: Variable rate

June 30, 2017

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**9. RESTRICTED ASSETS**

During the 2012 year, the estate of Carol Phipps Buchanan bequeathed real estate in the Beverly Hills Section of the Town of Wise at 205 Wampler Avenue and \$1,000,000 cash to establish a sanctuary park for animals and birds with paths and trails available for park visitors. Ms. Buchanan's will requires the IDA to oversee any construction, improvements and operational activities required to operate and maintain this sanctuary park. If the property ceases to serve as a sanctuary park for animals and birds for a period of two years, then these assets shall pass to the Columbus Phipps Foundation free and clear of any restrictions.

On July 31, 2012, the estate of Carol Phipps Buchanan distributed the remaining assets to the IDA. These assets consisted of cash in the amount \$950,000 and real estate valued at approximately \$133,300 by Wise County. These assets are being maintained by the IDA as restricted assets intended for the construction, improvements and operational activities of the sanctuary park.

Due to the Authority not complying with the time requirements placed on the property and assets bequeathed to the Authority by Carol Phipps Buchanan, the Authority entered into an agreement with the Columbus Phipps Foundation on December 19<sup>th</sup> 2016. The conditions of this agreement require the Authority to pay \$500,000 of the bequeathed monies to the Columbus Phipps Foundation and utilize the remaining property and monies to develop a sanctuary park for animals and birds with walking trails on the property bequeathed by Ms. Phipps. The Authority is also required to implement a financial program to help Wise County defray its costs associated with spaying and neutering cats and dogs and also assist with educational programs to promote responsible animal ownership. These activities are to be overseen by a committee of five individuals as required as a condition of this agreement.

The remaining cash balance at June 30, 2017 was \$433,881