

INDUSTRIAL DEVELOPMENT AUTHORITY

OF CARROLL COUNTY, VIRGINIA

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
FINANCIAL REPORT
JUNE 30, 2018

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Carroll County Industrial Development Authority
Blacksburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Carroll County Industrial Development Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Carroll 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.

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 Carroll County Industrial Development Authority, 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

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 January 17, 2019, on our consideration of Carroll County Industrial 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. 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 Industrial 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 Industrial Development Authority's internal control over financial reporting and compliance.

Polina, Jane, Cox Associates

Blacksburg, Virginia
January 17, 2019

Basic Financial Statements

Industrial Development Authority of Carroll County, Virginia
Statement of Net Position
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 714,570
Interest receivable	100,040
Accounts receivable	1,050
Notes receivable - current portion	27,882
Lease-purchase receivable - current portion	518,021
	<hr/>
Total current assets	\$ 1,361,563

Noncurrent assets:

Assets held for resale:

Industrial sites	\$ 2,150,558
Cash and cash equivalents - restricted	95,350
Notes receivable - net of current portion	2,975,837
Lease-purchase receivable - net of current portion	10,812,803

Capital assets (net of depreciation):

Land and land rights	81,451
Construction in progress	63,464
Buildings and improvements	334,592
Machinery and equipment	55,432
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Total capital assets (net of depreciation)	\$ 534,939

Total noncurrent assets	<hr/> \$ 16,569,487
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Total assets	<hr/> \$ 17,931,050
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LIABILITIES

Current liabilities:

Accounts payable	\$ 7,543
Accrued interest payable	91,169
Lease revenue bonds/notes payable - current portion	492,652
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Total current liabilities	<hr/> \$ 591,364
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Noncurrent liabilities:

Lease revenue bonds/notes payable - net of current portion	<hr/> \$ 11,924,379
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Total liabilities	<hr/> \$ 12,515,743
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NET POSITION

Net investment in capital assets	\$ 283,338
Restricted	95,350
Unrestricted	5,036,619
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Total net position	<hr/> \$ 5,415,307
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The accompanying notes to financial statements are an integral part of this statement.

Industrial Development Authority of Carroll County, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES

Revenue from the use of property	\$ 231,126
Gain on the sale of property held for resale	197,400
Miscellaneous	<u>2,520</u>
Total operating revenues	\$ <u>431,046</u>

OPERATING EXPENSES

Professional services	\$ 22,513
Facilities repair and maintenance	6,999
Insurance	8,145
Miscellaneous	761
Incentives	19,378
Depreciation	<u>30,557</u>
Total operating expenses	\$ <u>88,353</u>

Net operating income (loss)	\$ <u>342,693</u>
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NONOPERATING REVENUES (EXPENSES)

Lease purchase revenue	\$ 218,749
Contributions from primary government	71,876
Grant revenue	275,500
Grant expense	(310,500)
Interest income	224,706
Interest expense	<u>(471,873)</u>

Total nonoperating revenues (expenses)	\$ <u>8,458</u>
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Change in net position	\$ 351,151
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Net position - beginning	<u>5,064,156</u>
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Net position - ending	\$ <u><u>5,415,307</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Industrial Development Authority of Carroll County, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from others	\$ 244,146
Receipts from sale of assets held for resale	147,819
Payments to suppliers for goods and services	<u>(56,490)</u>
Net cash provided by (used for) operating activities	<u>\$ 335,475</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lease purchase revenue	\$ 462,574
Notes receivable issued	(47,500)
Payments received on notes receivable	4,750
Proceeds from indebtedness	5,372,500
Principal payments on indebtedness	(5,536,117)
Interest expense	(483,170)
Contributions from primary government	71,876
Grant revenue	275,500
Grant expense	<u>(310,500)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (190,087)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (209,253)
Proceeds from indebtedness	250,000
Principal payments on indebtedness	(17,540)
Interest expense	<u>(8,344)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ 14,863</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 242,770</u>
Net increase (decrease) in cash and cash equivalents	\$ 403,021
Cash and cash equivalents at beginning of year	<u>406,899</u>
Cash and cash equivalents at end of year	<u><u>\$ 809,920</u></u>
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:	
Net operating income (loss)	\$ 342,693
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	30,557
(Increase) decrease in accounts receivable	10,500
(Increase) decrease in assets held for resale	592,800
Change in notes receivable related to assets held for resale	(642,381)
Increase (decrease) in accounts payable	<u>1,306</u>
Net cash provided by (used for) operating activities	<u><u>\$ 335,475</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 Industrial Development Authority of Carroll County, Virginia, a component unit of Carroll County, Virginia (The Authority).

The Industrial 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 Industrial 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 financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The Authority follows the "business-type" activities requirements of GASB Statement 34, which provides that the following 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

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

C. Basis of Accounting:

For financial reporting purposes, the Industrial 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.

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 by GASB Statement 9 - Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement 34, such as interest and other investment income.

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 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 did 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 did not have any deferred inflows of resources as of June 30, 2018.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

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.

The Authority's net position is classified as follows:

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 resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

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, which include property, plant, equipment, and infrastructure assets, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

I. Capital Assets: (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

Property, plant and equipment are carried at cost. No depreciation is taken on industrial projects, which are held for the purpose of development and resale.

Property, plant, equipment, and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Leasehold Improvements	Term of lease
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.

K. Cash and Cash Equivalents:

For purposes of the statement of cash flows and the statement of net position, cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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

M. 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:

A. Deposits:

The Authority has over \$250,000 in one bank. The deposits in excess of \$250,000 are not covered by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, are exposed to custodial credit risk because they are uncollateralized. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name.

The following account was exposed to custodial credit risk:

Account	Banks	Reconciled Balance	Insured by FDIC	Uninsured	Credit Risk
Skyline DDA					
Checking Account	Skyline National Bank	\$ 809,920	\$ 250,000	\$ 559,920	1

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

B. Investments:

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 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 3—LEASE PURCHASE RECEIVABLES:

The following is a summary of lease purchase receivables of the Authority for the year ended June 30, 2018:

<u>Due From:</u>	<u>In Relation to:</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>	<u>Interest Receivable</u>
Carroll County, Virginia	Government Center	\$ 5,200,000	\$ 212,600	\$ 73,199
Carroll County School Board	CCHS HVAC	5,727,342	258,297	-
Carroll County School Board	RD Bus Lease	403,482	47,124	-
Total		\$ 11,330,824	\$ 518,021	\$ 73,199

A lease 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 Industrial Development Authority of Carroll County that are sufficient to redeem and pay interest on the Industrial Development’s lease revenue bond dated July 1, 2005.

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

A lease 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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, 2018, no payments had been made towards this balance. Accrued interest on the note receivable at June 30, 2018 totaled \$26,466.

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:

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

ANG also owes \$10,000 for a note receivable related to personnel costs.

Holiday Trees, LLC Receivable:

During FY2017, 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, 2018, the balance of the note was \$149,969. Accrued interest on the note receivable at June 30, 2018 totaled \$375.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 4—NOTES RECEIVABLE: (CONTINUED)

New River Polymer, LLC Receivable:

During FY2018, the Authority closed on the sale of an Industrial Park Property. The purchase price of the property was \$700,000, which consisted of a price of a down payment of \$49,000 and a note receivable of \$651,000.

The note is amortized over a period of 20 years with interest payable at an annual rate of 3.50%. As of June 30, 2018, the balance of the note was \$651,000.

Va. Produce Company, Inc. Receivable:

In conjunction with the Tobacco Region Revitalization Commission, the Authority has agreed to loan Va. Produce Company, Inc. \$47,500. 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 \$4,750 through August 1, 2022. The loan bears no interest except as required in the event of default. As of June 30, 2018, the balance on the note was \$42,750.

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 5—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2018 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	\$ 45,451	\$ 35,000	\$ -	\$ 80,451
Land rights	1,000	-	-	1,000
Construction in progress	63,464	-	-	63,464
Total capital assets not being depreciated	<u>\$ 109,915</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 144,915</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 250,610	\$ 174,253	\$ -	\$ 424,863
Machinery and equipment	255,126	-	-	255,126
Total capital assets being depreciated	<u>\$ 505,736</u>	<u>\$ 174,253</u>	<u>\$ -</u>	<u>\$ 679,989</u>
Accumulated depreciation:				
Buildings and improvements	\$ (71,082)	\$ (19,189)	\$ -	\$ (90,271)
Machinery and equipment	(188,326)	(11,368)	-	(199,694)
Total accumulated depreciation	<u>\$ (259,408)</u>	<u>\$ (30,557)</u>	<u>\$ -</u>	<u>\$ (289,965)</u>
Total capital assets being depreciated, net	<u>\$ 246,328</u>	<u>\$ 143,696</u>	<u>\$ -</u>	<u>\$ 390,024</u>
Business-type activities capital assets, net	<u>\$ 356,243</u>	<u>\$ 178,696</u>	<u>\$ -</u>	<u>\$ 534,939</u>

The Authority purchases land and buildings for development and resale. Land and buildings purchased for future development by the Industrial Development Authority are valued at cost which totals \$2,150,558. No depreciation is recorded against land and buildings held for resale.

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>
Lease revenue bonds	\$ 5,315,000	\$ -	\$ (5,315,000)	\$ -
Lease revenue bonds	-	5,200,000	-	5,200,000
Lease revenue notes	527,645	-	(56,088)	471,557
Rural Development lease revenue bonds	5,747,253	-	(79,173)	5,668,080
Carroll County note	758,290	-	(91,434)	666,856
Cana Rescue note	-	250,000	(7,212)	242,788
VA Tobacco Commission notes	-	172,500	(4,750)	167,750
Total	<u>\$ 12,348,188</u>	<u>\$ 5,622,500</u>	<u>\$ (5,553,657)</u>	<u>\$ 12,417,031</u>

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

<u>Year Ending June 30,</u>	<u>Lease Revenue Bonds</u>		<u>Lease Revenue Notes</u>		<u>Other Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 294,597	\$ 371,280	\$ 57,937	\$ 14,565	\$ 127,618	\$ 38,249
2020	304,913	360,966	59,845	12,657	145,303	33,064
2021	315,633	350,290	61,816	10,686	150,785	27,582
2022	326,661	339,241	63,852	8,650	156,522	21,844
2023	338,099	327,804	228,107	13,456	157,797	15,820
2024-2028	1,876,756	1,452,941	-	-	205,573	28,418
2029-2033	2,229,058	1,100,578	-	-	67,919	15,057
2034-2038	1,846,675	709,232	-	-	65,877	4,314
2039-2043	885,555	509,805	-	-	-	-
2044-2048	1,054,646	340,714	-	-	-	-
2049-2053	1,256,023	139,337	-	-	-	-
2054-2063	139,464	1,430	-	-	-	-
Totals	<u>\$ 10,868,080</u>	<u>\$ 6,003,618</u>	<u>\$ 471,557</u>	<u>\$ 60,014</u>	<u>\$ 1,077,394</u>	<u>\$ 184,348</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
Lease Revenue Bonds:							
Lease Revenue Bond*	3.42%	10/31/2017	8/1/2035	\$212,600-380,300 a+	\$ 5,200,000	\$ 5,200,000	\$ 212,600
RD Lease Revenue Bond*	3.50%	6/12/2013	3/5/2054	\$23,256 m	5,932,500	5,668,080	81,997
Lease Revenue Bonds Total						<u>\$ 10,868,080</u>	<u>\$ 294,597</u>
Lease Revenue Notes:							
School Bus Loan*	3.125%	1/2/2016	1/2/2026	\$4,922 m	\$ 510,000	\$ 400,727	\$ 47,214
Mini Pumper Fire Truck Loan	3.83%	4/30/2009	4/24/2024	\$13,438 a	151,175	70,830	10,723
Lease Revenue Notes Total						<u>\$ 471,557</u>	<u>\$ 57,937</u>
Notes:							
Carroll County Note	5.00%	6/29/2014	5/29/2024	\$127,272 a	\$ 1,000,000	\$ 666,856	\$ 96,112
Cana Rescue Note	2.92% **	9/21/2017	10/1/2037	\$1,383 m	250,000	242,788	9,506
Va Tobacco Commission	0.00%	8/1/2017	8/1/2022	\$4,750 sa	47,500	42,750	9,500
Va Tobacco Commission	0.00%	3/6/2018	8/1/2023	\$25,000 sa	125,000	125,000	12,500
Notes Total						<u>\$ 1,077,394</u>	<u>\$ 127,618</u>
Total Long-term Obligations						<u>\$ 12,417,031</u>	<u>\$ 480,152</u>

* 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

NOTE 7—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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 8—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 9—LITIGATION:

As of June 30, 2018, 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.

Compliance

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Industrial Development Authority
Blacksburg, 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 Industrial Development Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Carroll County Industrial Development Authority'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 Carroll County Industrial Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Carroll County Industrial 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County Industrial 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 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.

Polina, Farrow, Cox Associates

Blacksburg, Virginia
January 17, 2019