

LEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
Jonesville, Virginia

AUDIT REPORT

Years Ended June 30, 2018 and June 30, 2017

LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lee County Industrial Development Authority
Jonesville, Virginia 24263

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County Industrial Development Authority, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Lee 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 Boards, Commissions and Authorities*, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lee County Industrial Development Authority as of June 30, 2018, and the respective changes in financial position, and where applicable, 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 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 21, 2019 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 Lee County Industrial Development Authority's internal control over financial reporting and compliance.



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
Norton, Virginia
January 21, 2019

THROWER, BLANTON & ASSOCIATES, P.C.

*Certified Public Accountants
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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
Lee County Industrial
Development Authority
Jonesville, VA 24263

We have audited the basic financial statements of the Lee County Industrial Development Authority, as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated January 21, 2019. 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 Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements for the years ended June 30, 2018 and 2017, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 the internal control over financial reporting 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 weaknesses 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 management, to be significant deficiencies. (Reference findings 2018-001).

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
Lee County Industrial Development Authority
Jonesville, VA 24263
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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)*

Response to Findings

We noted certain matters that we reported to management of the Lee County Industrial Development Authority, in a separate letter dated January 21, 2019.

The Authority's response to the findings identified in our audit is described in the Schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 21, 2019

**LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**
Jonesville, Virginia
STATEMENT OF NET POSITION
June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 38,326	\$ 102,809
Notes receivable, net	113,387	196,093
Due from other governments	2,366,000	2,420,000
Capital assets, non-depreciable	1,444,533	719,530
Capital assets, depreciable, net	<u>2,570,317</u>	<u>2,278,341</u>
TOTAL ASSETS	<u>\$ 6,532,563</u>	<u>\$ 5,716,773</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 272,720	\$ 297
Long-term liabilities		
Due within one year	903,025	1,338,739
Due in more than one year	<u>3,111,586</u>	<u>2,723,729</u>
TOTAL LIABILITIES	<u>\$ 4,287,331</u>	<u>\$ 4,062,765</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,094,276	1,355,403
Restricted	-	-
Unrestricted (Deficit)	<u>150,956</u>	<u>298,605</u>
TOTAL NET POSITION	<u>\$ 2,245,232</u>	<u>\$ 1,654,008</u>

**LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**
Jonesville, Virginia
**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION**
June 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
OPERATING REVENUES:		
Grant revenue	\$ 249,000	\$ -
Rental revenue	600	1,900
Other revenue	<u>11,159</u>	<u>28,390</u>
Total Operating Revenues	<u>260,759</u>	<u>30,290</u>
OPERATING EXPENSES:		
Salaries and wages	4,700	9,700
Contract services	14,250	15,863
Maintenance	844	40
Administrative and general	3,316	2,284
Licenses and permits	-	-
Insurance	7,404	8,405
Utilities	7,424	2,986
Supplies	-	1,018
Project Grant Disbursements	14,000	28,000
Bad debt expense	-	1,115,700
Depreciation	<u>139,153</u>	<u>96,557</u>
Total Operating Expenses	<u>191,091</u>	<u>1,280,553</u>
Operating Income (Loss)	<u>69,668</u>	<u>(1,250,263)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of asset	-	(24,523)
Forbearance Income	-	70,000
Interest income	3,098	3,135
Interest expense	<u>-</u>	<u>(84)</u>
Total Non-Operating Revenues (Expenses)	<u>3,098</u>	<u>48,528</u>
Changes in Net Position	72,766	(1,201,735)
Net Postition, Beginning of Year, as restated	<u>2,172,466</u>	<u>2,855,743</u>
Net Position, End of year	<u>\$ 2,245,232</u>	<u>\$ 1,654,008</u>

**LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY**
Jonesville, Virginia
STATEMENT OF CASH FLOWS
June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grant revenue	\$ 249,000	\$ -
Rent received from tenants	600	1,900
Fee and other revenue collected	11,159	28,390
Cash payments to suppliers for goods and services	239,185	(31,936)
Salaries and fringes paid to employees	(4,700)	(9,700)
Net Cash Provided (Used) by Operating Activities	<u>495,244</u>	<u>(11,346)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating subsidies and transfers from other funds	-	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital assets, construction and other improvements	(658,674)	26,180
Proceeds from Forbearance	-	70,000
Loan principal payments received	68,705	65,206
Loan principal disbursements	-	(95,200)
Debt proceeds received	281,038	236,875
Debt principal payments	(253,894)	(686,514)
Debt interest payments	-	(84)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(562,825)</u>	<u>(383,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on operating funds	3,098	3,134
Net Cash Provided from Investing Activities	<u>3,098</u>	<u>3,134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64,483)	(391,749)
Cash and Cash Equivalents, Beginning of Year	<u>\$ 102,809</u>	<u>\$ 494,558</u>
Cash and Cash Equivalents, End of Year	<u>\$ 38,326</u>	<u>\$ 102,809</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 69,668	\$ (1,250,263)
Adjustments to reconcile operating income to net cash provided operating activities:		
Depreciation and amortization	139,153	96,557
Bad debt allowance	-	1,115,700
Loan Receivable Forgiveness	14,000	28,000
(Increase) decrease in accounts receivable	-	-
Increase (decrease) in accounts payable	272,423	(1,340)
Net Cash Provided (Used) by operating activities	<u>\$ 495,244</u>	<u>\$ (11,346)</u>

NOTES TO FINANCIAL STATEMENTS

Page 1

June 30, 2018

1. DESCRIPTION OF AUTHORITY

The Lee County Industrial Development Authority was created as a political subdivision of the Commonwealth of Virginia on April 28, 1971, pursuant to the provisions of the Industrial Development and Revenue Board Act. The Authority is governed by seven (7) directors appointed for a term of four years by the Board of Supervisors of Lee 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's 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

In accordance with the Governmental Accounting Standards Board, the Lee County Industrial Development Authority is reported as a component unit of the County of Lee, 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 fund 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.

NOTES TO FINANCIAL STATEMENTS

Page 2

June 30, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Pass-through Financing Leases

Activities of the Authority represent pass-through leases. These agreements provide for periodic rental payments in amounts which are equal to the principal and interest payments due. These amounts are considered repayment of the note by the Authority. The lessees have assumed responsibility for all operating costs such as utilities, repairs and property taxes.

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 - 25years
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 established by generally accepted 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, 2018 that are measured using Level 1, 2, or 3 inputs.

LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Page 3

June 30, 2018

3. CASH AND CASH EQUIVALENTS (Continued)

Credit Risk:

As required by state statute, 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.

Concentration of Credit Risk:

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

Powell Valley National Bank	100%
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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 the Treasurer's office in the Authority's name. All checking accounts and certificates of deposit are held in qualified depositories as defined in the Security for Public Deposits Act per sections 2.2-4400 through 2.2-4411 of the Code of Virginia.

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

Deposits and investments:	
Deposits	\$ 38,326
Investments	-
	<u>\$ 38,326</u>

Statement of net position:	
Cash and cash equivalents	<u>\$ 38,326</u>

At June 30, 2018 the Authority held no investments.

4. PROPERTY, PLANT AND EQUIPMENT

The summary of property, plant and equipment at June 30, 2018, is as follows:

	June 30, 2018	June 30, 2017
Land and improvements	\$ 769,351	\$ 703,022
Construction in progress	675,182	16,508
Capital assets, non-depreciable	<u>\$1,444,533</u>	<u>\$ 719,530</u>
 Equipment	 \$1,112,923	 \$ 438,200
Buildings and improvements	3,384,544	2,863,373
Capital assets, depreciable	<u>\$4,497,467</u>	<u>\$3,301,573</u>
Less: Total accumulated depreciation	(1,927,150)	(1,023,232)
Total Capital assets, depreciable, net	<u>\$2,570,317</u>	<u>\$2,278,341</u>
 Total Capital assets, net	 <u>\$4,014,850</u>	 <u>\$2,997,871</u>

LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Page 4

June 30, 2018

5. LONG-TERM DEBT

Changes in Long-Term Debt:

The following is a summary of long-term debt transactions of the Lee County Industrial Development Authority for the year ended June 30, 2018:

	Balance			Balance
	July 1, 2017	Additions	Deletions	June 30, 2018
VCEDA	\$ 176,088	\$ -	\$ -	\$ 176,088
VCEDA	200,000	-	-	200,000
VCEDA	39,199	-	-	39,199
VCEDA	617,882	-	-	617,882
VCEDA	-	141,038	-	141,038
Tobacco Comm	46,875	-	46,875	-
Tobacco Comm	113,875	-	113,875	-
Economic Dev	176,591	-	89,062	87,529
Board of Supervisors	246,875	140,000	-	386,875
RURAL DEV	25,083	-	25,083	-
PVNB	<u>2,420,000</u>	<u>-</u>	<u>54,000</u>	<u>2,366,000</u>
TOTALS	<u>\$ 4,062,468</u>	<u>\$ 281,038</u>	<u>\$ 328,895</u>	<u>\$ 4,014,611</u>

Details of Long-Term Indebtedness:

Mortgage Loans Payable:

Virginia Coalfield Economic Development Authority (VCEDA) – \$200,000 note payable dated March 5, 2005; the note is secured by a Deed of Trust on property located in the Constitutional Oaks Business Park. The note does not bear interest and was originally payable in one lump sum balloon payment on March 9, 2015. As of June 30, 2018 the amount outstanding totaled:

\$ 176,088

Virginia Coalfield Economic Development Authority (VCEDA) – \$200,000 note payable dated December 17, 2008; the note is secured by a Deed of Trust on the shell building and approximately six acres of land located in the Constitutional Oaks Business Park. The note does not bear interest and is payable in one lump sum balloon payment on December 17, 2018. As of June 30, 2018 the amount outstanding totaled:

200,000

Virginia Coalfield Economic Development Authority (VCEDA) - \$150,000 note payable dated October 1, 1999. Original loan terms based the interest rate on the number of employees working at the Authority's Commercial property located in Dryden, Virginia. On January 1, 2002, the terms of the note were modified to a 0% interest rate with monthly principal installments of \$1,316.10 payable for 88 months. The property is currently not being leased and VCEDA has allowed the authority to cease monthly payments until a tenant is located to lease the property. As of June 30, 2018, the amount outstanding totaled:

39,199

June 30, 2018

5. LONG-TERM DEBT

Details of Long Term Indebtedness (Continued)

Mortgage Loans Payable:

Virginia Coalfield Economic Development Authority (VCEDA) - \$800,000 note payable dated January 25, 2008, the note is secured by a Deed of Trust on the Synergy Biofuels property located in Pennington Gap, Virginia. The note was reissued in February 2011 and now bears interest at 0% and is payable in monthly installments of \$3,500. The Loan's new due date is January 24, 2018. As of June 30, 2018, the amount outstanding totaled:

617,882

Virginia Coalfield Economic Development Authority (VCEDA) - \$350,000 note payable dated March 08, 2018 and modified by \$165,000.00 on April 19, 2018 for a total of \$515,000.00. The note is secured by a second lien Deed of Trust on the England Furniture property located in Dryden, Virginia. The note does not bear interest and is payable in one lump sum balloon payment on March 08, 2028. As of June 30, 2018, the amount outstanding totaled:

141,038

Lee County Economic Development \$260,000, consisting of funding for Moving Forward Physical Therapy (\$20,000), Cumberland Collision Center (\$100,000), Bates Family Farms (\$50,000), Bates Family Farms (\$40,000) and Southwest Propane (\$50,000). As of June 30, 2018, the amount outstanding totaled:

87,529

Lee County Board of Supervisors - \$426,875 notes payable dated June 29, 2015 (\$50,000), March 1, 2016 (\$50,000), October 21, 2016 (\$46,875), February 23, 2017 (\$100,000), June 7, 2017 (\$40,000.00), January 31, 2018 (130,000.00), April 27, 2018 (\$5,000.00) and June 1, 2018 (\$5,000). The notes do not bear interest and are payable in one lump sum balloon payment. As of June 30, 2018, the amount outstanding totaled:

386,875

Total Notes Payable at June 30, 2018:

\$1,648,611

Total Lease Revenue Note Payable at June 30, 2018 (note 6):

\$2,366,000

Total Long-Term Debt

\$4,014,611

LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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June 30, 2018

5. LONG-TERM DEBT(Continued)

Year(s) Ending June 30	VCEDA		VCEDA		VCEDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 176,088	\$ -	\$ 200,000	\$ -	\$ -	\$ -
2020	-	-	-	-	39,199	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024-2028	-	-	-	-	-	-
TOTALS	<u>\$ 176,088</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 39,199</u>	<u>\$ -</u>

Year(s) Ending June 30	VCEDA		VCEDA		Lee County Economic Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 42,000	\$ -	\$ -	\$ -	\$ 40,062	\$ -
2020	42,000	-	-	-	39,295	-
2021	42,000	-	-	-	8,172	-
2022	42,000	-	-	-	-	-
2023	42,000	-	-	-	-	-
2024-2028	407,882	-	141,038	-	-	-
TOTALS	<u>\$ 617,882</u>	<u>\$ -</u>	<u>\$ 141,038</u>	<u>\$ -</u>	<u>\$ 87,529</u>	<u>\$ -</u>

Year(s) Ending June 30	Lee County Board of Supervisors		Total Long – Term Debt	
	Principal	Interest	Principal	Interest
2019	\$ 386,875	\$ -	\$ 845,025	\$ -
2020	-	-	120,494	-
2021	-	-	50,172	-
2022	-	-	42,000	-
2023	-	-	42,000	-
2024-2028	-	-	548,920	-
TOTALS	<u>\$ 386,875</u>	<u>\$ -</u>	<u>\$ 1,648,611</u>	<u>\$ -</u>

LEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

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6. LEASE REVENUE NOTE PAYABLE

The following is a schedule of the lease revenue note issued by the Lee County Industrial Development Authority at the request of the county of Lee to finance capital improvement projects which include the construction of a waste transfer station and an extension/renovation of the Co-Op extension office, and to provide financing for the refunding of a Series 2006 callable bond which was originally for the construction and equipping of a new Social Services facility. Liability under the lease revenue note has been assumed by the Authority for the County of Lee Project. In furtherance of the Project, the County of Lee agrees to pay rental subject to appropriations from time to time by the County of Lee, sufficient to pay the principal of and interest on the Note.

<u>Name of Issue</u>	<u>Description of Facility</u>	<u>Stated Interest Rate</u>	<u>Date of Original Issue</u>	<u>Date of Maturity</u>	<u>Name of Trustee</u>	<u>Revenue Bond Aggregate Amount at Issue Date</u>	<u>Principal Amount Maturing Within 12 Months</u>	<u>Aggregate Outstanding Amt. Payable at 06/30/18</u>
Industrial Development Authority of Lee County	Improvements County Buildings	3.375%	5/27/16	8/1/36	Powell Valley National Bank	\$2,491,000	\$ 0	\$2,366,000

Bond principal is payable in annual payments beginning on August 1, 2016. The following is a schedule of principal and interest payments required each year:

<u>Year(s) Ending June 30</u>	<u>Powell Valley National Bank</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 58,000	\$ 78,874
2020	58,000	76,916
2021	63,000	74,874
2022	62,000	72,765
2023-2027	519,000	321,317
2028-2032	741,000	210,279
2033-2037	865,000	74,672
TOTALS	<u>\$ 2,366,000</u>	<u>\$ 909,697</u>

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7. LITIGATION AND CONTINGENT LIABILITIES

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

8. NOTES RECEIVABLE

Diana Gibson - \$42,000 note dated May 5, 2008. The term of the loan is for ten years. The interest rate on the loan is 3% and monthly payments of \$405.56 are to be paid beginning on October 7, 2008. Note was revised on 4/7/11 adding an additional \$10,000 to the loan and making the loan amount \$40,643. As of June 30, 2018, the balance of the note receivable totaled:

24,975

Southwest Propane LLC - \$45,000 note dated October 29, 2015. The term of the loan is four years with an interest rate of 2%. Monthly payments in the amount of \$976.28 including principle and interest are due beginning February 1, 2016. As of June 30, 2018, the balance of the note receivable totaled:

18,244

Southwest Propane LLC - \$5,000 performance agreement. Southwest Propane LLC was under a performance obligation stating that should the company fail to employ at least 3 non-family, non-related employees for the first 12 months the note and other expenses incurred will be due in full. These provisions were not met and payment is now due October 29, 2018. As of June 30, 2018, the balance of the note receivable totaled:

5,000

Moving Forward Physical Therapy - \$35,000 note dated January 31, 2014. The term of the loan is five years with an interest rate of 3%. Monthly payments in the amount of \$629 including principle and interest are due beginning May 1, 2014. As of June 30, 2018, the balance of the note receivable totaled:

6,203

Bates Family Farm - \$40,000 note dated April 4, 2014. The term of the loan is four years with an interest rate of 3%. Monthly payments in the amount of \$1,054.40 including principle and interest are due beginning July 1, 2017 and \$1,077.73 each succeeding month beginning August 1, 2017. As of June 30, 2018, the balance of the note receivable totaled:

28,105

Appalachians for Resource and Technology Stewardship, LLC - \$3,200 note dated May 10, 2017. The term of the loan is two years with an interest rate of 0%. Monthly payments in the amount of \$133.33 are due beginning October 1, 2017. As of June 30, 2018, the balance of the note receivable totaled:

2,000

Bates Family Farm - \$50,000 note dated July 28, 2016. The term of the loan is four years with an interest rate of 3%. Monthly payments in the amount of \$1,106.72 including principle and interest are due beginning September 1, 2016. As of June 30, 2018, the balance of the note receivable totaled:

28,860

Total Notes Receivable at June 30, 2018:

\$ 113,387

Less: Allowance for doubtful accounts

(0)

Total Notes Receivable, net at June 30, 2018:

\$ 113,387

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9. IMPAIRED LOANS

The Authority reports no impaired loans as of June 30, 2018.

10. RESTATEMENT OF NET POSITION

On October 13, 2017, the Lee County IDA took possession of the Synergy Biofuels building, land and equipment. The assets were never capitalized by the IDA, therefore, the assets were included at their book value as of that date and the resulting difference in cost less accumulated depreciation from the date originally purchased by the IDA in January 2008 was included as a prior period adjustment in the amount of \$497,458.

Cumberland Collision Center satisfied \$21,000 of their performance agreement in prior years. Upon the IDA forgiving this amount the Lee County EDA forgave \$21,000 of the loan to the IDA for Cumberland Collision Center resulting in a prior period adjustment of \$21,000.

Net Position as reported at June 30, 2017	\$ (1,654,008)
Additional assets from prior years	(497,458)
Prior year debt forgiveness	<u>(21,000)</u>
Net Position as restated at June 30, 2017	<u>\$ (2,172,466)</u>

11. FACILITIES LEASE

A Facilities Lease was entered into on March 8, 2018 between the Lee County IDA and England, Inc. The initial lease term shall be for 5 years commencing on the earlier of the date that Lessor provides written notice to Lessee that the Facility is ready to occupy or June 1, 2018 and ending 5 years from the commencement date. During the term of the lease, Lessee shall pay Lessor rent as follows: \$0.00 per month provided the Lessee maintains at least 15 full-time jobs at the facility. Lessee shall have the option to purchase all of Lessor's interest in the Facilities by paying to Lessor a purchase price equal to \$500,000.

12. PERFORMANCE AGREEMENT

The Tobacco Region Revitalization Commission awarded a grant in the amount of \$135,000 to the Lee County IDA to use in inducing England, Inc. to construct or locate taxable assets and employee persons in Lee County. In coordination with the grant award, a Performance Agreement by and among the aforementioned parties was made and entered into on January 26, 2018. The Performance Agreement requires England, Inc.(the Company) to employee at least 50 persons in Lee County with a quarterly aggregate payroll of at least \$351,000. In addition, the Company shall locate or construct taxable assets in Lee County having an assessed value of at least \$1,000,005. The employment obligations and taxable asset obligation must be met no later than 36 months after the end of the base quarter (December 31, 2017).

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2019 the date which the financial statements were available to be issued.