
INDUSTRIAL DEVELOPMENT AUTHORITY
OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greensville County, Virginia)
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ BLACKSBURG □ LOUISA



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INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)
DIRECTORY OF PRINCIPAL OFFICIALS

AUTHORITY MEMBERS

James Parham, Jr., Chairman
Robin Whitman, Vice-Chairman
Haywood C. Brown
Len Hobbs
Herbert Lewis
Allen M. Blackwell
Thomas Slippy

OTHER OFFICIALS

Natalie Slate, Secretary
Brenda Parson, Treasurer

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE BOARD OF DIRECTORS
INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
EMPORIA, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Greenville County, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 Industrial Development Authority of Greenville County, Virginia, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of Industrial Development Authority of Greenville County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Industrial Development Authority of Greenville County, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Industrial Development Authority of Greenville County, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 5, 2018

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2018

As management of Industrial Development Authority of Greenville County (the "Authority") we offer this narrative overview and analysis of the financial performance and overview of the Authority's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented herein in connection with the Authority's basic financial statements.

Financial Highlights for FY 2018:

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$19,572,315.

The Authority's net position decreased by \$134,680 for the current year.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements comprise two components: 1) enterprise fund financial statements, and 2) notes to the financial statements.

Enterprise Fund Financial Statements

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

The statement of net position presents information on the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Table 1 - Summary of Statement of Net Position
As of June 30, 2018 and 2017

| | June 30, 2018 | June 30, 2017 |
|------------------------------------|----------------------|----------------------|
| Current and other assets | \$ 1,123,428 | \$ 599,767 |
| Capital assets | 4,582,621 | 2,062,871 |
| Other long-term assets | 18,785,201 | 18,810,371 |
| Total assets | <u>\$ 24,491,250</u> | <u>\$ 21,473,009</u> |
| Current liabilities | \$ 578,486 | \$ 258,058 |
| Long-term liabilities | 4,340,449 | 1,507,956 |
| Total liabilities | <u>\$ 4,918,935</u> | <u>\$ 1,766,014</u> |
| Net position: | | |
| Net investment in capital assets | \$ 630,315 | \$ 554,915 |
| Restricted | - | 103,867 |
| Unrestricted | 18,942,000 | 19,048,213 |
| Total net position | <u>\$ 19,572,315</u> | <u>\$ 19,706,995</u> |
| Total liabilities and net position | <u>\$ 24,491,250</u> | <u>\$ 21,473,009</u> |

The Authority's net position decreased by \$134,680 during the year as compared to an increase of \$396,347 in the prior year. The decrease can be attributable to an increase in interest expense resulting from the issuance of the Series 2017B bonds. Additionally, an industry previously paying rent for Shell Building 2 elected to purchase the building from the IDA and was no longer paying rent for part of the fiscal year.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The following table shows the revenues and expenses of the Authority for the past two fiscal years:

Table 2 - Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017

| | June 30, 2018 | June 30, 2017 |
|---|----------------------|----------------------|
| Revenues: | | |
| Operating revenues | \$ 234,888 | \$ 301,387 |
| Intergovernmental revenue | - | 539,357 |
| Industry - pass-through | 502,500 | - |
| Other revenue | 28,152 | 512 |
| Total revenues | <u>\$ 765,540</u> | <u>\$ 841,256</u> |
| Expenses: | | |
| Operating expenses (less depreciation and property tax rebates) | \$ 47,277 | \$ 59,953 |
| Depreciation | 95,706 | 135,932 |
| Contributions to industry | 504,966 | - |
| Contributions to other governmental entities | 76,754 | - |
| Return of economic performance grant | - | 200,000 |
| Bond issuance costs | 96,887 | - |
| Interest and other fiscal charges | 78,630 | 49,024 |
| Total expenses | <u>\$ 900,220</u> | <u>\$ 444,909</u> |
| Increase (decrease) in net position | \$ (134,680) | \$ 396,347 |
| Net position beginning of year | 19,706,995 | 19,310,648 |
| Net position end of year | <u>\$ 19,572,315</u> | <u>\$ 19,706,995</u> |

Revenues:

The Authority's total revenues decreased by \$75,716 during the current year with operating revenues comprising \$66,499 of the decrease over the prior fiscal year. As previously mentioned, the Authority sold Shell Building 2 to the tenant. Therefore rent income previously received was no longer collected.

Expenses:

For the fiscal year ended June 30, 2018, total expenses increased by \$455,311 while operating expenses decreased \$12,676. Total expenses increased due to pass-through grant awards paid to industries.

Long-term Debt:

At the end of the current fiscal year, the Authority had \$4,340,449 in long-term debt outstanding versus \$1,507,956 last year, an increase of \$2,832,493. The Authority issued Series 2017B bonds during fiscal year 2018. Reference Note 5 for additional details on the Authority's long-term debt.

Capital Assets and Other Investments:

The Authority's investment in capital assets as of June 30, 2018 amounts to \$4,582,621 (net of accumulated depreciation). The Authority sold a building to a tenant/industry during 2018. Below is a comparison of the items that makeup capital assets and other investments as of June 30, 2018 with that of June 30, 2017.

| | 2018 | 2017 |
|--|--------------|--------------|
| Land, Property and equipment (net) | \$ 4,582,621 | \$ 2,062,871 |
| Net capital assets and other investments | \$ 4,582,621 | \$ 2,062,871 |

The Authority reports investment in industrial land in the amount of \$18,545,963 for fiscal year 2018 and 2017.

Economic Factors and Review of Operations:

Industrial Development Authority of Greensville County, Virginia is an organization dedicated to industrial development within Greensville County. The Authority provides a comprehensive approach to industrial development including recruitment, planning organization and financial and legal facilitation. The Authority is governed by a Board of Directors appointed by the Board of Supervisors of Greensville County, Virginia.

With a strategic location 75 miles southeast of Richmond, Virginia (via interstate 95) the Authority offers developed sites for industries including:

- Shell building
- Industrial land and development sites
- Favorable tax exempt financing and property tax relief

In addition to opportunity for future industrial prospects, the Authority has supported its existing local industries with industrial investment expenditures. Many of the Authority's development expenditures are committed to improving the infrastructure.

Additionally, there are a number of industrial prospects considering expanding or locating their business within County of Greensville, Virginia. This new business investment, supported by local leadership, will result in a significant increase in the County's tax base.

Contacting the Authority's Financial Management:

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Authority's Treasurer, Greenville County Government Center located at 1781 Greenville County Circle, Emporia, VA 23847-0631.

- Basic Financial Statements -

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Statement of Net Position
At June 30, 2018

ASSETS

Current Assets:

| | |
|---|---------------------|
| Cash | \$ 437,132 |
| Cash - restricted | 656,499 |
| Lease receivable | 4,627 |
| Notes receivable (Note 3) - current portion | 25,170 |
| Total Current Assets | <u>\$ 1,123,428</u> |

Noncurrent Assets:

Capital assets:

| | |
|---|------------|
| Buildings (net of accumulated depreciation of \$859,541) (Note 4) | \$ 804,901 |
| Construction in progress | 3,746,015 |
| Land | 31,705 |

Other assets:

| | |
|---|------------|
| Investment in industrial land (Note 4) | 18,545,963 |
| Notes receivable (Note 3), net of current portion | 239,238 |

| | |
|-------------------------|----------------------|
| Total Noncurrent Assets | <u>\$ 23,367,822</u> |
| Total Assets | <u>\$ 24,491,250</u> |

LIABILITIES

Current Liabilities:

| | |
|---|-------------------|
| Accounts payable | \$ 277,885 |
| Accrued interest payable | 32,245 |
| Notes and bond payable (Note 5) - current portion | 178,954 |
| Payable from restricted assets: | |
| Debt service reserve held on behalf of County of Greenville | 268,356 |
| Total Current Liabilities | <u>\$ 757,440</u> |

Noncurrent Liabilities:

| | |
|--|---------------------|
| Notes and bond payable (Note 5) - net of current portion | <u>\$ 4,161,495</u> |
| Total Noncurrent Liabilities | <u>\$ 4,161,495</u> |
| Total Liabilities | <u>\$ 4,918,935</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | \$ 630,315 |
| Unrestricted | <u>18,942,000</u> |
| Total Net Position | <u>\$ 19,572,315</u> |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

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

| | |
|--|---------------|
| Operating Revenues: | |
| Lease revenue | \$ 234,888 |
| Total Operating Revenues | \$ 234,888 |
| Operating Expenses: | |
| Professional fees | \$ 20,371 |
| Board member compensation | 1,900 |
| Office expenses | 582 |
| Utilities | 5,330 |
| Repairs and maintenance | 4,938 |
| Insurance | 12,752 |
| Travel and training | 1,404 |
| Depreciation expense | 95,706 |
| Total Operating Expenses | \$ 142,983 |
| Operating Income (Loss) | \$ 91,905 |
| Nonoperating Revenues (Expenses): | |
| Intergovernmental revenue from Commonwealth of Virginia | \$ 502,500 |
| Contribution to County of Greenville, Virginia | (64,754) |
| Contribution to MAMAC Regional Industrial Facility Authority | (12,000) |
| Contributions to industry | (504,966) |
| Gain on sale of property | 8,586 |
| Interest and investment income | 19,566 |
| Bond issuance costs | (96,887) |
| Interest expense | (78,630) |
| Total Nonoperating Revenues (Expenses) | \$ (226,585) |
| Change in net position | \$ (134,680) |
| Net position beginning of year | 19,706,995 |
| Net position end of year | \$ 19,572,315 |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Statement of Cash Flows
Year Ended June 30, 2018

| | |
|--|----------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from industries | \$ 234,888 |
| Payments to vendors and industries | <u>245,427</u> |
| Net Cash Provided By (Used For) Operating Activities | <u>\$ 480,315</u> |
| Cash Flows From Noncapital Financing Activities: | |
| Contributions to other governmental entities | \$ (76,754) |
| Increase (decrease) in debt service reserve held for County of Greenville, Virginia | <u>24,915</u> |
| Net Cash Provided By (Used For) Noncapital Financing Activities | <u>\$ (51,839)</u> |
| Cash Flows From Capital and Related Financing Activities: | |
| Issuances of lease revenue bond | \$ 3,795,000 |
| Interest payments | (53,508) |
| Bond issue costs on indebtedness | (96,887) |
| Principal payments on indebtedness | (962,507) |
| Additions to investment in industrial land | (3,746,015) |
| Proceeds from sale of capital assets | <u>1,139,144</u> |
| Net Cash Provided By (Used For) Capital and Related Financing Activities | <u>\$ 75,227</u> |
| Cash Flows From Investing Activities: | |
| Interest received | <u>\$ 19,566</u> |
| Increase (decrease) in cash and cash equivalents | \$ 523,269 |
| Cash and cash equivalents at beginning of year (includes restricted cash of \$347,308) | <u>570,362</u> |
| Cash and cash equivalents at end of year (includes restricted cash of \$656,499) | <u><u>\$ 1,093,631</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities: | |
| Operating income (loss) | \$ 91,905 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities: | |
| Depreciation expense | 95,706 |
| Changes in Operating Assets and Liabilities: | |
| (Increase) decrease in notes receivable | 22,312 |
| Increase (decrease) in accounts payable | <u>270,392</u> |
| Net Cash Provided By (Used For) Operating Activities | <u><u>\$ 480,315</u></u> |

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

Industrial Development Authority of Greenville County (the Authority) was organized on November 29, 1983 in accordance with Chapter 33 of Title 15.1 of the Code of Virginia (1950), as amended (the Act). The purpose of the Authority shall be to acquire, own, lease, and dispose of properties to enable it to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in the Commonwealth of Virginia and to further the use of its agricultural products and natural resources. The Act empowers the Authority to issue tax exempt bonds so they may acquire, improve, maintain, equip, own, lease, or dispose of properties in order that they may be able to promote industry and develop trade by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth of Virginia. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. Collection of 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 Authority is a separate and distinct entity from County of Greenville, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia.

The Authority is governed by a Board of Directors appointed by the Board of Supervisors of Greenville County, Virginia to serve a term of four years.

B. Financial Reporting Entity:

The basic criterion for including organizations within the reporting entity, as set forth in GASB No. 14 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 the reporting entity. These financial statements present Industrial Development Authority of Greenville County, Virginia. Industrial Development Authority of Greenville County, Virginia's financial statements include all operations of Industrial Development Authority of Greenville County, Virginia.

C. Basic Financial Statements:

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Enterprise Fund Financial Statements

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Authority. Governments will report all capital assets in the Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Revenues, Expenses and Changes in Net Position. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Basis of Accounting:

Industrial Development Authority of Greenville County, Virginia operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with the Authority's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents:

The Authority's 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.

F. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,000 (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.

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 of business-type activities is included as part of the capitalized value of the assets constructed. Interest in the amount of \$123,607 was capitalized for the fiscal year ended June 30, 2018.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|----------------------------|-------|
| Buildings and improvements | 30 |

G. Other Significant Accounting Policies:

- Lease and notes receivables are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded.
- Investments are reported at amortized cost or fair value.
- Other assets are reported at cost.

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

H. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Net Position:

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

J. 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.

K. 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/expenditure) until then. The Authority does not have any deferred outflows of resources as of June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2018.

L. Investments:

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 in accordance with GASB 79. All other investments are reported at fair value.

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 2 - DEPOSITS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize the County 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 has no formal investment policy addressing the various risks related to investments.

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

Authority's Rated Debt Investments' Values

| Rated Debt Investments | Fair Quality Ratings | | | | |
|---------------------------------------|----------------------|------|------|------|---------|
| | AAA | AA | A | A1 | Unrated |
| U.S. Agency Securities - Money Market | \$ 388,143 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 388,143 | \$ - | \$ - | \$ - | \$ - |

Interest Rate Risk:

The Authority reports the following investments and related maturities:

Investment Maturities (in years)

| Investment Type | Fair Value | 1 Year |
|---------------------------------------|------------|------------|
| U.S. Agency Securities - Money Market | \$ 388,143 | \$ 388,143 |
| Total | \$ 388,143 | \$ 388,143 |

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 3 - NOTE RECEIVABLE:

The Authority's note receivable consists of the following at June 30, 2018:

In June 2017, the Authority loaned \$286,720 to Southern Virginia Development Corporation, Inc. ("SVDC"), a nonprofit organization. The Authority will receive 120 monthly payments from SVDC including principal and interest. The note bears interest at an annual rate of 3.5%.

| Note Receivable - SVDC | | |
|------------------------|----------------|------------------|
| Year | Principal | Interest |
| 2019 \$ | 25,170 | \$ 8,853 |
| 2020 | 26,065 | 7,958 |
| 2021 | 26,992 | 7,031 |
| 2022 | 27,953 | 6,071 |
| 2023 | 28,947 | 5,077 |
| 2024 | 29,976 | 4,047 |
| 2025 | 31,042 | 2,981 |
| 2026 | 32,146 | 1,877 |
| 2027 | 33,290 | 733 |
| 2028 | 2,827 | 8 |
| Total \$ | <u>264,408</u> | <u>\$ 44,636</u> |

NOTE 4 - CAPITAL AND OTHER INDUSTRIAL ASSETS:

Capital asset activity for the year ended June 30, 2018 is as follows:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|--|-------------------------|---------------------|---------------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 31,705 | \$ - | \$ - | \$ 31,705 |
| Construction in progress | - | 3,746,015 | - | 3,746,015 |
| Total capital assets not being depreciated | <u>\$ 31,705</u> | <u>\$ 3,746,015</u> | <u>\$ -</u> | <u>\$ 3,777,720</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 4,077,940 | \$ - | \$ 2,413,498 | \$ 1,664,442 |
| Accumulated depreciation | (2,046,774) | (95,706) | (1,282,939) | (859,541) |
| Total capital assets being depreciated | <u>\$ 2,031,166</u> | <u>\$ (95,706)</u> | <u>\$ 1,130,559</u> | <u>\$ 804,901</u> |
| Total Capital Assets | <u>\$ 2,062,871</u> | <u>\$ 3,650,309</u> | <u>\$ 1,130,559</u> | <u>\$ 4,582,621</u> |

The investment in other industrial assets is as follows:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|-------------------------------|-------------------------|-------------|-------------|--------------------------|
| Other Industrial Assets: | | | | |
| Investment in industrial land | \$ 18,545,963 | \$ - | \$ - | \$ 18,545,963 |
| Total Industrial Assets | <u>\$ 18,545,963</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,545,963</u> |

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 5 - LONG-TERM DEBT:

The following table is a summary of changes in long-term debt as of June 30, 2018:

| | Balance | | | Balance | Amounts |
|---------------|--------------|--------------|------------|---------------|------------|
| | July 1, 2017 | Increases | Decreases | June 30, 2018 | Due Within |
| | | | | | One Year |
| Bond payable | \$ 925,000 | \$ 3,795,000 | \$ 925,000 | \$ 3,795,000 | \$ 140,000 |
| Notes payable | 582,956 | - | 37,507 | 545,449 | 38,954 |
| Total | \$ 1,507,956 | \$ 3,795,000 | \$ 962,507 | \$ 4,340,449 | \$ 178,954 |

On July 19, 2010, the Authority entered into a note payable agreement in the amount of \$825,000 with Greenville County Water and Sewer Authority for Shell Building 1. The proceeds were used to refinance the note payable agreement dated February 11, 2005 with an outstanding balance of \$820,594. Payments are due monthly in the amount of \$4,913 through July 15, 2030, interest at 5.0%. The outstanding balance of this note at June 30, 2018 is \$545,449.

On August 2, 2017, the Authority issued Series 2017B lease revenue taxable bonds in the amount of \$3,795,000. Principal is payable annually on October 1st starting October 1, 2018 through October 1, 2037 in varying amounts with interest payable semi-annually at rates from 1.774% to 4.053%. The outstanding balance at June 30, 2018 is \$3,795,000.

Annual requirements to amortize long-term debt and related interest are as follows:

| | VRA 2017B | | GCWSA | |
|-------|----------------------------|--------------|------------------|------------|
| | Shell Building 2 Expansion | | Shell Building 1 | |
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 140,000 | \$ 127,740 | \$ 38,954 | \$ 20,000 |
| 2020 | 145,000 | 125,141 | 40,455 | 18,499 |
| 2021 | 145,000 | 122,282 | 42,016 | 16,938 |
| 2022 | 150,000 | 119,003 | 43,636 | 15,318 |
| 2023 | 155,000 | 115,231 | 45,319 | 13,635 |
| 2024 | 160,000 | 111,022 | 47,067 | 11,887 |
| 2025 | 160,000 | 106,430 | 48,882 | 10,072 |
| 2026 | 165,000 | 101,479 | 50,767 | 8,187 |
| 2027 | 175,000 | 96,090 | 52,725 | 6,229 |
| 2028 | 180,000 | 90,289 | 54,758 | 4,196 |
| 2029 | 185,000 | 83,798 | 56,870 | 2,084 |
| 2030 | 190,000 | 76,694 | 24,000 | 565 |
| 2031 | 200,000 | 69,309 | - | - |
| 2032 | 205,000 | 61,646 | - | - |
| 2033 | 215,000 | 53,699 | - | - |
| 2034 | 225,000 | 45,073 | - | - |
| 2035 | 235,000 | 35,755 | - | - |
| 2036 | 245,000 | 26,033 | - | - |
| 2037 | 255,000 | 15,906 | - | - |
| 2038 | 265,000 | 5,370 | - | - |
| Total | \$ 3,795,000 | \$ 1,587,990 | \$ 545,449 | \$ 127,610 |

**INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)**

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 6 - SIGNIFICANT OPERATING LEASES:

The Authority entered into a lease agreement with an industry for warehouse storage space on June 16, 2002. The lease agreement is for 15,000 square feet of the former Emporia Garment Building and 20,000 square feet of storage space. On February 10, 2016 the Authority entered into a revised lease agreement whereby the Authority will receive monthly rent in the amount of \$3,750 starting March 1, 2016 through December 1, 2023. Additionally, the lease agreement provides for an additional payment of \$877 per month commencing March 1, 2016 and payable through February 1, 2021. Total lease revenue received under this lease for the year ended June 30, 2018 amounted to \$55,524.

During the year ended June 30, 2001, the Authority began leasing the Southside Community Corrections Building to the Southside Community Correction Program. The term of the lease is to be for a period of twenty years beginning January 1, 2001 and continuing thereafter through December 31, 2020. Lease terms provide for quarterly rent of \$5,724. During the year ended June 30, 2018, lease revenue under this lease was \$22,896.

During the year ended June 30, 2007, the Authority began leasing the Shell Building property to an industry. The original term of the lease is for a period of ten years commencing January 1, 2007 and continuing through December 31, 2016. The lease was extended through November 2017, at which time the industry purchased the building. The industry's monthly payments are \$10,417. During the year ended June 30, 2018, lease revenue under this lease was \$54,435.

During the year ended June 30, 2009, the Authority began leasing the Skippers Road Industrial Building to an industry. The term of the lease is to be indefinite commencing January 1, 2009 and can be terminated by either party with written notice. The monthly payments as of June 30, 2018 are \$7,500. During the year ended June 30, 2018, lease revenue under this lease was \$90,000.

In addition to the lease agreements for the various industrial buildings, the Authority entered into lease agreements with two separate hunt clubs. The agreements provide for annual rent to be paid by the hunt clubs for lease of land owned by the Authority.

NOTE 7 - CONDUIT DEBT OBLIGATIONS:

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the State, nor any political subdivision thereof is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 8 - TRANSACTIONS WITH COUNTY OF GREENSVILLE:

The County of Greenville ("County") provides office space, accounting and other administrative functions to the Authority at no cost. During fiscal year 2018 the County contributed \$288,864 which was used to satisfy annual debt service of the County-conduit debt.

INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
(A Component Unit of Greenville County, Virginia)

Notes to Financial Statements
At June 30, 2018 (continued)

NOTE 9 - FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Authority reports the following information related to its investments:

| <u>Fair Value Measurements at Reporting Date Using</u> | | | | |
|--|------------|---------------|-------------|--------------|
| | | Quoted Prices | | |
| | Total | in Active | Significant | Significant |
| | June 30, | Markets for | Other | Unobservable |
| | 2018 | Identical | Observable | Inputs |
| | | Assets | Inputs | |
| | | (Level 1) | (Level 2) | (Level 3) |
| U.S. Agency Securities - | | | | |
| Money Market | \$ 388,143 | \$ 388,143 | \$ - | \$ - |
| Total | \$ 388,143 | \$ 388,143 | \$ - | \$ - |

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

TO THE HONORABLE MEMBERS OF THE BOARD OF DIRECTORS
INDUSTRIAL DEVELOPMENT AUTHORITY OF GREENSVILLE COUNTY, VIRGINIA
EMPORIA, 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 Industrial Development Authority of Greenville County, Virginia as of and for the year ended June 30, 2018, and the related notes to the financial statements, which comprise Industrial Development Authority of Greenville County, Virginia and have issued our report thereon dated December 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Greenville County, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Authority of Greenville County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Greenville County, Virginia's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Authority of Greenville County, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Robinson, Farmer, Cox Associates". The script is cursive and fluid.

Charlottesville, Virginia
December 5, 2018