

INDUSTRIAL DEVELOPMENT AUTHORITY

OF CARROLL COUNTY, VIRGINIA

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
 (A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
 FINANCIAL REPORT
 JUNE 30, 2014

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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
Hillsville, 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, 2014, 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 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 respective financial position of the business-type activities of Carroll County Industrial Development Authority, as of June 30, 2014, and the respective 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carroll County Industrial Development Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2015, 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 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 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.

Robinson, Faucher, Cox Associates

Blacksburg, Virginia
February 1, 2015

Basic Financial Statements

Industrial Development Authority of Carroll County, Virginia
Statement of Net Position
June 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 322,506
Interest receivable	193,371
Prepaid items	6,457
Accounts receivable	6,016
Note receivable - current portion	26,355
Lease-purchase receivable - current portion	673,744
	<hr/>
Total current assets	\$ 1,228,449
Noncurrent assets:	
Assets held for resale:	
Industrial sites	\$ 4,325,990
Cash and cash equivalents - restricted	71,280
Note receivable - net of current portion	648,645
Lease-purchase receivable - net of current portion	11,503,376
Capital assets (net of depreciation):	
Land and land rights	155,638
Construction in progress	182,888
Buildings and improvements	224,027
Machinery and equipment	142,262
Total capital assets (net of depreciation)	\$ 704,815
	<hr/>
Total noncurrent assets	\$ 17,254,106
	<hr/>
Total assets	\$ 18,482,555
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net	\$ 26,618
	<hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 281,685
Accrued interest payable	181,800
Retainage payable	139,670
Lease revenue bonds/notes payable - current portion	767,283
	<hr/>
Total current liabilities	\$ 1,370,438
Noncurrent liabilities:	
Lease revenue bonds/notes payable - net of current portion	\$ 11,787,217
	<hr/>
Total liabilities	\$ 13,157,655
NET POSITION	
Net investment in capital assets	\$ 333,579
Restricted for debt service	71,280
Unrestricted	4,946,659
	<hr/>
Total net position	\$ 5,351,518
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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, 2014

OPERATING REVENUES	
Revenue from the use of property	\$ 16,000
Gain on the sale of property held for resale	43,113
Miscellaneous	6,165
	<hr/>
Total operating revenues	\$ 65,278
OPERATING EXPENSES	
Professional services	\$ 63,460
Child Care Center - maintenance	10,635
Other repairs and maintenance	35,676
Insurance	19,468
Miscellaneous	4,048
Incentives	476,625
Depreciation	25,834
	<hr/>
Total operating expenses	\$ 635,746
Net operating income (loss)	\$ (570,468)
NONOPERATING REVENUES (EXPENSES)	
Lease purchase revenue	\$ 122,678
Grant revenue	400,000
Interest income	85,298
Interest expense	(348,690)
	<hr/>
Total nonoperating revenues (expenses)	\$ 259,286
Income before capital contributions	\$ (311,182)
Contributions--Carroll County	4,317,454
Reimbursement to primary government	(3,782,963)
	<hr/>
Change in net position	\$ 223,309
Net position - beginning	5,128,209
	<hr/>
Net position - ending	\$ 5,351,518
	<hr/> <hr/>

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from others	\$ 739,449
Receipts from sale of assets held for resale	71,210
Purchase of assets held for resale	(1,038,514)
Payments to suppliers for goods and services	(616,577)
	<u>(844,432)</u>
Net cash provided by (used for) operating activities	\$ (844,432)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grant revenue	\$ 400,000
	<u>400,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Lease purchase revenue	\$ 802,921
Carroll County High School project payments	(5,363,533)
Purchase of capital assets	(128,290)
Contributions--Carroll County	493,134
Proceeds from indebtedness	5,948,264
Principal payments on indebtedness	(660,369)
Interest payments on indebtedness	(292,973)
	<u>799,154</u>
Net cash provided by (used for) capital and related financing activities	\$ 799,154
CASH FLOWS FROM INVESTING ACTIVITIES	
Issuance of loan receivable	\$ (252,210)
Interest received	85,298
	<u>(166,912)</u>
Net cash provided by (used for) investing activities	\$ (166,912)
Net increase (decrease) in cash and cash equivalents	\$ 187,810
Cash and cash equivalents at beginning of year (including \$71,280 restricted cash and cash equivalents)	205,976
	<u>205,976</u>
Cash and cash equivalents at end of year (including \$71,280 restricted cash and cash equivalents)	\$ 393,786
	<u>393,786</u>
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:	
Net operating income (loss)	\$ (570,468)
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	25,834
(Increase) decrease in accounts receivable	717,284
(Increase) decrease in assets held for resale	(1,010,417)
(Increase) decrease in prepaid items	12,934
Increase (decrease) in accounts payable	(19,599)
	<u>(844,432)</u>
Net cash provided by (used for) operating activities	\$ (844,432)

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, 2014

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 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, 2014

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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, 2014.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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.

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 estimated fair market value at the date of donation.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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.
- Investments, if any, are stated at fair value, which is equal to the market value. The State Treasurer's Local Government Investment Pool (LGIP) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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:

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.

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, 2014.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 3—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 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	\$ -	\$ -	\$ 45,451
Land rights	110,187	-	-	110,187
Construction in progress	1,692,020	5,693,928	(7,203,060)	182,888
Total capital assets not being depreciated	<u>\$ 1,847,658</u>	<u>\$ 5,693,928</u>	<u>\$ (7,203,060)</u>	<u>\$ 338,526</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 231,610	\$ 19,000	\$ -	\$ 250,610
Machinery and equipment	255,126	41,357	-	296,483
Total capital assets being depreciated	<u>\$ 486,736</u>	<u>\$ 60,357</u>	<u>\$ -</u>	<u>\$ 547,093</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,118)	\$ (14,465)	\$ -	\$ (26,583)
Machinery and equipment	(142,852)	(11,369)	-	(154,221)
Total accumulated depreciation	<u>\$ (154,970)</u>	<u>\$ (25,834)</u>	<u>\$ -</u>	<u>\$ (180,804)</u>
Total capital assets being depreciated, net	<u>\$ 331,766</u>	<u>\$ 34,523</u>	<u>\$ -</u>	<u>\$ 366,289</u>
Business-type activities capital assets, net	<u>\$ 2,179,424</u>	<u>\$ 5,728,451</u>	<u>\$ (7,203,060)</u>	<u>\$ 704,815</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 \$4,125,990. No depreciation is recorded against land and buildings held for resale.

NOTE 4—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>
Lease revenue bond	\$ 6,875,000	\$ -	\$ (590,000)	\$ 6,285,000
Lease revenue notes	391,605	-	(70,369)	321,236
Rural Development lease revenue bond	-	4,948,264	-	4,948,264
Carroll County Note	-	1,000,000	-	1,000,000
Total	<u>\$ 7,266,605</u>	<u>\$ 5,948,264</u>	<u>\$ (660,369)</u>	<u>\$ 12,554,500</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 4—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Lease Revenue Bond		Lease Revenue Notes		Carroll County Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 615,000	\$ 255,263	\$ 73,215	\$ 11,503	\$ 79,068	\$ 48,204
2016	175,000	239,463	76,164	8,554	83,113	44,159
2017	180,000	232,363	79,256	5,462	87,365	39,907
2018	190,000	224,963	21,771	3,166	91,835	35,437
2019	195,000	217,263	10,724	2,714	96,533	30,739
2020-2024	1,110,000	958,050	60,106	7,084	562,086	74,359
2025-2029	1,360,000	696,625	-	-	-	-
2030-2034	1,680,000	365,375	-	-	-	-
2035-2036	780,000	35,550	-	-	-	-
Totals	\$ 6,285,000	\$ 3,224,915	\$ 321,236	\$ 38,483	\$ 1,000,000	\$ 272,805
Bond in draw down phase	\$ 4,948,264	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 11,233,264	\$ 3,224,915	\$ 321,236	\$ 38,483	\$ 1,000,000	\$ 272,805

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 4—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*	3.25-4.38%	7/1/2005	7/20/2035	\$175,000-615,000 a+	\$ 10,510,000	\$ 6,285,000	\$ 615,000
RD Lease Revenue Bond**	3.50%	6/12/2013	3/5/2054	\$23,256 m	5,932,500	4,948,264	-
Lease Revenue Bonds Total						<u>\$ 11,233,264</u>	<u>\$ 615,000</u>
Lease Revenue Notes:							
School Bus Loan	4.00%	8/12/2010	8/12/2017	\$5,940 m	\$ 434,490	\$ 211,326	\$ 63,989
Mini Pumper Fire Truck Loan	3.83%	4/30/2009	4/24/2024	\$13,438 a	151,175	109,910	9,226
Lease Revenue Notes Total						<u>\$ 321,236</u>	<u>\$ 73,215</u>
 Carroll County Note	 5.00%	 6/29/2014	 5/29/2024	 \$127,272 a	 1,000,000	 \$ 1,000,000	 \$ 79,068
 Total Long-term Obligations						<u><u>\$ 12,554,500</u></u>	<u><u>\$ 767,283</u></u>

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

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

(m) - monthly installments, including interest

(a) - annual installments, including interest

**Bond is still in draw down phase at June 30, 2014 and not included in amortization schedules

NOTE 5—LEASE PURCHASE RECEIVABLES:

The following is a summary of lease purchase receivables of the Authority for the year ended June 30, 2014:

<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	\$ 6,285,000	\$ 615,000	\$ 118,999
Carroll County School Board	School Buses	206,082	58,744	-
Carroll County School Board	CCHS HVAC	5,686,038	-	61,519
Total		<u>\$ 12,177,120</u>	<u>\$ 673,744</u>	<u>\$ 180,518</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

NOTE 5—LEASE PURCHASE RECEIVABLES: (CONTINUED)

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 the purchase of six school buses. Carroll County School Board will pay monthly payments of \$5,966 beginning September 12, 2010 and ending on September 12, 2017.

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.

NOTE 6—NOTE RECEIVABLE

On December 19, 2013, a line of credit was executed and delivered to Classic Creations, LLC in the amount of \$675,000. As of June 30, 2014 the entire \$675,000 had been drawn down. Interest only payments are due monthly through December 1, 2014 at 5% per annum. Monthly principal and interest payments of \$7,159 are due beginning January 1, 2016 until paid in full through January 1, 2025. Accrued interest of \$12,853 was payable to the Authority at June 30, 2014.

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.

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.

On April 26, 2002, the Authority co-signed a loan for Wyatt-Carpenter Woodworks, Inc. in the amount of \$75,000. In the event the Corporation defaults on the loan, the Authority will be liable for any unpaid principal and interest.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

NOTE 8—CONTINGENCIES: (CONTINUED)

In December 2013, the Authority entered into a construction contract totaling \$384,761 with Clark Brothers Company for renovations to the STEM lab at Carroll County High School. At June 30, 2014, \$39,670 of the contract (retainage payable) was outstanding and \$31,472 was payable to Clark Brothers Company.

In July 2013, the Authority entered into a construction contract totaling \$4,019,262 with New Atlantic Contracting, Inc. for renovations to the HVAC system at Carroll County High School. At June 30, 2014, \$115,799 of the contract was outstanding and \$196,195 was payable to New Atlantic Contracting, Inc., not including retainage in the amount of \$100,000.

NOTE 9—LITIGATION:

As of June 30, 2014, 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 SECTION

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
Hillsville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Carroll County Industrial Development Authority as of and for the year ended June 30, 2014, 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 February 1, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness [2014-001].

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*.

Carroll County Industrial Development Authority's Response to Findings

Carroll County Industrial Development Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Carroll County Industrial Development 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 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.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
February 1, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Carroll County Industrial Development Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Carroll County Industrial Development Authority's major federal programs for the year ended June 30, 2014. Carroll County Industrial Development Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Carroll County Industrial Development Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll County Industrial Development Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Carroll County Industrial Development Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Carroll County Industrial Development Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Carroll County Industrial Development Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Carroll County Industrial

Development Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll County Industrial Development Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
February 1, 2015

Carroll County Industrial Development Authority

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/ State Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct payments:			
Community Facilities Loans and Grants	10.766	Not applicable	\$ 4,948,264
Total Expenditures of Federal Awards			<u>\$ 4,948,264</u>

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County Industrial Development Authority under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of Carroll County Industrial Development Authority it is not intended to and does not present the financial position, changes in net position, or cash flows of Carroll County Industrial Development Authority.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE 3--RELATIONSHIP TO FINANCIAL STATEMENTS:

Federal expenditures, revenues and capital contributions are reported in the Authority's financial statements as follows:

Federal loan proceeds	\$ 4,948,264
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 4,948,264</u>

Industrial Development Authority of Carroll County, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

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Industrial Development Authority of Carroll County, Virginia
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2014

Section II - Financial Statement Findings

2014-001

Criteria:	Per Statement on Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. In addition, SAS 115 indicates that the auditee should establish controls over the period-end financial reporting process and that reliance on the auditors to recommend period ending adjustments is not an acceptable component of such controls.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The Authority failed to record all entries to adhere to generally accepted accounting principles (GAAP).
Effect of Condition:	There is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal controls over financial reporting.
Recommendation:	The Authority should work with the auditors to ensure trial balances are ready in the future.
Management's Response:	The Authority agrees with the finding and will work towards having trial balances ready for the audit in accordance with GAAP.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Year Findings

Finding 2013-1 from 2013 is recurring in fiscal year 2014 as 2014-001.