
**INDUSTRIAL DEVELOPMENT AUTHORITY
OF CARROLL COUNTY, VIRGINIA**

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

FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2013**

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Charlottesville ♦ Blacksburg ♦ Richmond ♦ Staunton ♦ Fredericksburg

INDUSTRIAL DEVELOPMENT AUTHORITY

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FINANCIAL REPORT
JUNE 30, 2013

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report		1-2
	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Statement of Net Position	1	3
Statement of Revenues, Expenses, and Changes in Net Position	2	4
Statement of Cash Flows.....	3	5
Notes to Financial Statements		6-15

COMPLIANCE SECTION

		<u>Page</u>
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 <i>Government Auditing Standards</i>		16-17
Schedule of Findings and Responses.....		18

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of 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 the Carroll County Industrial Development Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Carroll County Industrial Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we 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 the Carroll County Industrial Development Authority, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Carroll County Industrial Development Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the 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 the 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, on our consideration of the 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, 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 the Carroll County Industrial Development Authority's internal control over financial reporting and compliance.

Robinson, Faimer, Cox Associates

Blacksburg, Virginia
January 2, 2014

Basic Financial Statements

Industrial Development Authority of Carroll County, Virginia
Statement of Net Position
As of June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 134,696
Interest receivable	142,030
Prepaid items	19,391
Accounts receivable	723,300
Lease-purchase receivable - current portion	<u>731,584</u>

Total current assets \$ 1,751,001

Noncurrent assets:

Assets held for resale:

Industrial sites	\$ 2,157,657
Cash and cash equivalents - restricted	71,280
Lease-purchase receivable - net of current portion	6,496,327

Capital assets (net of depreciation):

Land and land rights	155,638
Construction in progress	1,692,020
Buildings and improvements	219,492
Machinery and equipment	<u>112,274</u>

Total capital assets (net of depreciation) \$ 2,179,424

Total noncurrent assets \$ 10,904,688

Total assets \$ 12,655,689

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding, net \$ 30,674

LIABILITIES

Current liabilities:

Accounts payable	\$ 161,410
Accrued interest payable	130,139
Lease revenue bonds/notes payable - current portion	<u>660,369</u>

Total current liabilities \$ 951,918

Noncurrent liabilities:

Lease revenue bonds/notes payable - net of current portion \$ 6,606,236

Total liabilities \$ 7,558,154

NET POSITION

Net investment in capital assets	\$ 1,945,627
Restricted for debt service	71,280
Unrestricted	<u>3,111,302</u>

Total net position \$ 5,128,209

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, 2013

OPERATING REVENUES	
Revenue from the use of property	\$ 37,454
Miscellaneous	165,302
	<hr/>
Total operating revenues	\$ 202,756
OPERATING EXPENSES	
Professional services	\$ 61,404
Child Care Center - maintenance	11,530
Other repairs and maintenance	15,674
Insurance	15,526
Miscellaneous	59,238
Depreciation	22,196
	<hr/>
Total operating expenses	\$ 185,568
Net operating income (loss)	\$ 17,188
NONOPERATING REVENUES (EXPENSES)	
Lease purchase revenue	\$ 133,945
Gain on the sale of land	3,000
Contributions--Carroll County	100,000
Grant revenue	175,000
Grant expense	(275,000)
Interest income	12,569
Interest expense	(296,980)
	<hr/>
Total nonoperating revenues (expenses)	\$ (147,466)
Income before capital contributions	\$ (130,278)
Contributions--Carroll County	2,089,565
Contributed Capital	1,606,116
	<hr/>
Change in net position	\$ 3,565,403
Net position - beginning, as restated	\$ 1,562,806
	<hr/>
Net position - ending	\$ 5,128,209
	<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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from others	\$ (423,159)
Purchase of assets held for resale	(1,281,387)
Payments to suppliers for goods and services	(174,721)
	<hr/>
Net cash provided by (used for) operating activities	\$ (1,879,267)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions--Carroll County	\$ 100,000
Grant revenue	175,000
Grant expense	(275,000)
	<hr/>
Net cash provided by (used for) noncapital financing activities	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Lease purchase revenue	\$ 64,360
Proceeds from the sale of land	3,000
Purchase of capital assets	(1,563,476)
Contributions--Carroll County	1,812,504
Contributed Capital	1,606,116
Principal payments on indebtedness	(67,635)
Interest payments on indebtedness	(161,928)
	<hr/>
Net cash provided by (used for) capital and related financing activities	\$ 1,692,941
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	\$ 12,569
	<hr/>
Net increase (decrease) in cash and cash equivalents	\$ (173,757)
Cash and cash equivalents at beginning of year (including \$71,280 restricted cash and cash equivalents)	<hr/> 379,733
Cash and cash equivalents at end of year (including \$71,280 restricted cash and cash equivalents)	<hr/> <hr/> \$ 205,976
Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:	
Net operating income (loss)	\$ 17,188
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	22,196
(Increase) decrease in accounts receivable	(625,915)
(Increase) decrease in assets held for resale	(1,281,387)
(Increase) decrease in prepaid items	4,567
Increase (decrease) in accounts payable	(15,916)
	<hr/>
Net cash provided by (used for) operating activities	\$ (1,879,267)

Supplemental disclosure required:

See Note 3 of Notes to Financial Statements for noncash capital and related financing activities.

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, 2013

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 sections be included in the annual financial report:

1. Management discussion and analysis
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 the financial statements

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 and losses on the disposal of capital assets. 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, 2013.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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, 2013

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, 2013

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.

N. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

O. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The Authority implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The net position reported in the financial statements was changed as a result of implementing this Statement restating beginning equity by the amount of bond issuance capitalized as an asset in prior years. See note 10 for more information.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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, 2013.

NOTE 3—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013 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	42,059	68,128	-	110,187
Construction in progress	51,826	1,640,194	-	1,692,020
Total capital assets not being depreciated	<u>\$ 93,885</u>	<u>\$ 1,753,773</u>	<u>\$ -</u>	<u>\$ 1,847,658</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ -	\$ 231,610	\$ -	\$ 231,610
Machinery and equipment	248,675	6,451	-	255,126
Total capital assets being depreciated	<u>\$ 248,675</u>	<u>\$ 238,061</u>	<u>\$ -</u>	<u>\$ 486,736</u>
Accumulated depreciation:				
Buildings and improvements	\$ -	\$ (12,118)	\$ -	\$ (12,118)
Machinery and equipment	(132,774)	(10,078)	-	(142,852)
Total accumulated depreciation	<u>\$ (132,774)</u>	<u>\$ (22,196)</u>	<u>\$ -</u>	<u>\$ (154,970)</u>
Total capital assets being depreciated, net	<u>\$ 115,901</u>	<u>\$ 215,865</u>	<u>\$ -</u>	<u>\$ 331,766</u>
Business - Type activities capital assets, net	<u>\$ 209,786</u>	<u>\$ 1,969,638</u>	<u>\$ -</u>	<u>\$ 2,179,424</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 3—CAPITAL ASSETS: (CONTINUED)

During the year ended June 30, 2013, the County of Carroll transferred ownership of the Child Care Center to the Authority. This nonmonetary transaction resulted in a contribution from the County of Carroll in the amount of \$277,061; and the corresponding asset additions recorded were \$45,451 in land and \$231,610 in buildings as shown in the table on the previous page.

The Authority purchases land and buildings for development and resale. Land and buildings purchased for future development by the Industrial Development Authority are valued at cost which totals \$2,157,657. No depreciation is recorded against land and buildings held for resale.

NOTE 4—LONG TERM OBLIGATIONS:

Business-Type Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2013:

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
Lease revenue bond	\$ 6,875,000	\$ -	\$ -	\$ 6,875,000
Lease revenue notes	459,240	-	(67,635)	391,605
Total	<u>\$ 7,334,240</u>	<u>\$ -</u>	<u>\$ (67,635)</u>	<u>\$ 7,266,605</u>

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	
	Principal	Interest	Principal	Interest
2014	\$ 590,000	\$ 278,625	\$ 70,369	\$ 14,349
2015	615,000	255,263	73,214	11,503
2016	175,000	239,462	76,164	8,554
2017	180,000	232,363	79,256	5,462
2018	190,000	224,963	21,771	3,166
2019-2023	1,065,000	1,002,425	57,888	9,302
2024-2028	1,305,000	754,459	12,943	497
2029-2033	1,610,000	437,344	-	-
2034-2036	1,145,000	78,634	-	-
Totals	<u>\$ 6,875,000</u>	<u>\$ 3,503,538</u>	<u>\$ 391,605</u>	<u>\$ 52,833</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Bond*	3.25-4.38%	7/1/2005	7/20/2035	\$175,000-615,000 a+	\$ 10,510,000	\$ 6,875,000	\$ 590,000
Lease Revenue Notes:							
School Bus Loan	4.00%	8/12/2010	8/12/2017	\$5,940 m	\$ 434,490	\$ 272,811	\$ 61,484
Mini Pumper Fire Truck Loan	3.83%	4/30/2009	4/24/2024	\$13,438 a	151,175	118,794	8,885
Lease Revenue Notes Total						<u>\$ 391,605</u>	<u>\$ 70,369</u>
Total Long-Term Obligations						<u>\$ 7,266,605</u>	<u>\$ 660,369</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

NOTE 5--LEASE PURCHASE RECEIVABLES:

The following is a summary of lease purchase receivables of the Authority for the year ended June 30, 2013:

<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	\$ 6,875,000	\$ 590,000	\$ 128,838
Carroll County School Board	School Buses	272,811	61,484	-
Weststar	Weststar Renov.	80,100	80,100	13,192
Total		<u>\$ 7,227,911</u>	<u>\$ 731,584</u>	<u>\$ 142,030</u>

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

NOTE 5—LEASE PURCHASE RECEIVABLES: (CONTINUED)

A lease purchase agreement was entered into with the Westar Investments, LLC on December 6, 2010 in the amount of \$85,100 at a 6.00% interest rate. The entire amount was due in a lump sum payment within 18 months of the agreement. During December of 2012, the property was transferred to Hatco, LLC, and an extension was granted to Westar establishing new payment terms. Westar paid \$5,000, and the remaining amount accruing interest at 6.00% and payable to the Authority in one lump sum in December of 2013.

NOTE 6—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 7—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.

On February 12, 2012, the Authority entered into a contract for engineering services related to the Natural Gas Project. The original contract was for an amount ranging from \$144,000 to \$159,000. During fiscal year 2013, the term of the contract was extended. At June 30, 2013, \$112,702 was payable to Roanoke Gas Company and the remaining outstanding commitment was undeterminable due to the extension of the contract.

In October of 2012, the Authority entered into a construction contract totaling \$788,183 with MasTec to complete the work for the first phase of the Natural Gas Project. At June 30, 2013, \$197,305 of the contract was outstanding and no amounts were payable to MasTec.

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

NOTE 7—CONTINGENCIES: (CONTINUED)

The Natural Gas Project involves the Authority building out the infrastructure necessary for Carroll County to provide gas to customers in Carroll County. The project includes construction of infrastructure to be able to connect Aladdin, a manufacturing Company, to the system. Aladdin agreed to reimburse the Authority for the estimated total for phase one of the project, which is \$1.7 million. During fiscal year 2013, \$1 million was reimbursed to the Authority. At June 30, 2013, \$606,116 was recorded as a receivable from Aladdin, with the remaining amount to be spent and reimbursed in fiscal year 2014. Once the project is completed, the Authority will transfer ownership of the infrastructure to the County of Carroll, Virginia and the County will operate and maintain the assets.

On March 8, 2013, the Authority entered into a contract with Candor Construction for building repairs to the Kentucky Derby/Gildan building for \$99,601. At June 30, 2013, \$23,834 of the contract was outstanding and no amounts were payable to Candor Construction.

NOTE 8—LITIGATION:

As of June 30, 2013, 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.

NOTE 9—SUBSEQUENT EVENTS:

On July 1, 2013, the Authority entered into a contract with New Atlantic Contracting, Inc. totaling \$4,597,000 for the Carroll County High School HVAC Replacement project. To fund the project, the Board has approved borrowing up to \$4M from Carroll County on a promissory note at 0% interest payable on demand from funds appropriated from USDA and Rural Development at the time of closing. Drawn downs on funds will occur on an as-needed basis.

NOTE 10—RESTATEMENT OF NET POSITION:

Due to the issuance of GASB 65, *Items Previously Reported as Assets and Liabilities*, only insurance paid for bond issuance is allowed to be capitalized and amortized. The remaining portion of the bond issuance cost is to be expensed as interest expense. This accounting change created a restatement in the amount of \$184,497.

Net Position July 1, 2012, as previously reported	\$	1,747,303
Adjustment to write off bond issuance costs		(184,497)
Net Position July 1, 2012, as restated	\$	<u>1,562,806</u>

COMPLIANCE SECTION

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 Members of 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 the Carroll County Industrial Development Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Carroll County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses to be a material weakness [2013-1].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carroll County Industrial Development Authority's financial statements are free of 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

Compliance and Other Matters (continued)

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

The Carroll County Industrial Development Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Carroll County Industrial Development Authority's response was not subject 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, Fauner, Co. Associates

Blacksburg, Virginia
January 2, 2014

Carroll County Industrial Development Authority
 Schedule of Findings and Responses
 Year Ended June 30, 2013

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

Section II - Financial Statement Findings

2013-1

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
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.
Cause of Condition:	The Authority failed to record the child care center as capital assets for the transfer of ownership from the County of Carroll, Virginia.
Recommendation:	Assets that are transferred to the Authority from the County should be capitalized and reported as a contribution from the County.
Management's Response:	The Authority agrees with the finding and will properly capitalize any assets transferred from the County going forward.

Section III - Status of Prior Year Findings

Finding 2012-1 from 2012 is recurring in fiscal year 2013 as 2013-1.