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

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**

**ROBINSON, FARMER, COX ASSOCIATES**

*A PROFESSIONAL LIMITED LIABILITY COMPANY*

*CERTIFIED PUBLIC ACCOUNTANTS*

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**Blacksburg \* Charlottesville \* Fredericksburg \* Louisa \* Richmond \* Staunton**

**INDUSTRIAL DEVELOPMENT AUTHORITY**

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)  
FINANCIAL REPORT  
JUNE 30, 2016

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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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, 2016, 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 financial position of the business-type activities of Carroll County Industrial Development Authority, as of June 30, 2016, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, 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, Turner, Co. Associates*

Blacksburg, Virginia  
December 20, 2016

## **Basic Financial Statements**

Industrial Development Authority of Carroll County, Virginia  
Statement of Net Position  
June 30, 2016

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 286,201
Interest receivable	110,482
Prepaid expenses	8,145
Accounts receivable	71,913
Note receivable - current portion	30,000
Lease-purchase receivable - current portion	473,831
	<hr/>
Total current assets	\$ 980,572

## Noncurrent assets:

## Assets held for resale:

Industrial sites	\$ 2,692,379
Note receivable - net of current portion	2,160,000
Lease-purchase receivable - net of current portion	11,402,598

## Capital assets (net of depreciation):

Land and land rights	46,451
Construction in progress	358,306
Buildings and improvements	194,361
Machinery and equipment	78,169
Total capital assets (net of depreciation)	<hr/> \$ 677,287

Total noncurrent assets	<hr/> \$ 16,932,264
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<b>Total assets</b>	<hr/> <b>\$ 17,912,836</b>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refunding, net	<hr/> \$ 19,518
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**LIABILITIES**

## Current liabilities:

Accounts payable	\$ 2,425
Accrued interest payable	124,065
Lease revenue bonds/notes payable - current portion	397,652
	<hr/>

Total current liabilities	<hr/> \$ 524,142
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## Noncurrent liabilities:

Lease revenue bonds/notes payable - net of current portion	<hr/> \$ 12,351,331
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<b>Total liabilities</b>	<hr/> <b>\$ 12,875,473</b>
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**NET POSITION**

Net investment in capital assets	\$ 586,183
Unrestricted	4,470,698
	<hr/>
<b>Total net position</b>	<hr/> <b>\$ 5,056,881</b>

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, 2016

**OPERATING REVENUES**

Revenue from the use of property	\$ 245,460
Miscellaneous	56,290
	<u>          </u>
<b>Total operating revenues</b>	<b>\$ 301,750</b>

**OPERATING EXPENSES**

Professional services	\$ 37,896
Facilities repair and maintenance	25,328
Insurance	7,834
Miscellaneous	15,671
Incentives	193,744
Contribution to BRCEA	118,856
Depreciation	29,155
	<u>          </u>
<b>Total operating expenses</b>	<b>\$ 428,484</b>
<b>Net operating income (loss)</b>	<b>\$ (126,734)</b>

**NONOPERATING REVENUES (EXPENSES)**

Lease purchase revenue	\$ 249,859
Gain on the sale of assets	409,820
Grant revenue	190,000
Interest income	209,154
Interest expense	(491,389)
	<u>          </u>
<b>Total nonoperating revenues (expenses)</b>	<b>\$ 567,444</b>

<b>Income before capital contributions</b>	<b>\$ 440,710</b>
Reimbursement to primary government	(118,733)
	<u>          </u>
<b>Change in net position</b>	<b>\$ 321,977</b>
<b>Net position - beginning</b>	<b>4,734,904</b>
	<u>          </u>
<b>Net position - ending</b>	<b>\$ 5,056,881</b>

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, 2016

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from others	\$ 240,853
Payments to suppliers for goods and services	(430,281)
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (189,428)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Contributions to Carroll County	\$ (475,420)
Grant revenue	190,000
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>\$ (285,420)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Lease purchase revenue	\$ 523,132
Carroll County High School project payments	(127,341)
Carroll County School Board buses	(506,969)
Proceeds from the sale of gas line	70,000
Purchase of capital assets	(11,000)
Proceeds from indebtedness	706,200
Principal payments on indebtedness	(362,542)
Interest expense	(491,498)
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>\$ (200,018)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 203,688
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (471,178)</b>
Cash and cash equivalents at beginning of year	757,379
Cash and cash equivalents at end of year	<u><u>\$ 286,201</u></u>
<b><i>Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:</i></b>	
Net operating income (loss)	\$ (126,734)
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:</b>	
Depreciation	29,155
(Increase) decrease in accounts receivable	(60,897)
(Increase) decrease in prepaid items	(8,145)
Increase (decrease) in accounts payable	(22,807)
<b>Net cash provided by (used for) operating activities</b>	<b><u><u>\$ (189,428)</u></u></b>

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

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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**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, 2016

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**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, 2016.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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

**F. Net Position:**

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

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

**G. Net Position Flow Assumption:**

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

**H. Prepaid Items:**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

**I. Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.



INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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

**I. Capital Assets: (Continued)**

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

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

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

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

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

<u>Asset</u>	<u>Years</u>
Leasehold Improvements	Term of lease
Machinery and Equipment	3-15
Buildings and Improvements	20-40

**J. Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these amounts.

**K. Cash and Cash Equivalents:**

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

**L. Other Significant Accounting Policies:**

- Accounts receivable, if any, are shown at gross value and no allowance has been taken for doubtful accounts.
- Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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**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, 2016.



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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**NOTE 3—LEASE PURCHASE RECEIVABLES:**

The following is a summary of lease purchase receivables of the Authority for the year ended June 30, 2016:

<u>Due From:</u>	<u>In Relation to:</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>	<u>Interest Receivable</u>
Carroll County, Virginia	Government Center	\$ 5,495,000	\$ 180,000	\$ 105,016
Carroll County School Board	CCHS HVAC	5,890,614	249,499	-
Carroll County School Board	RD Bus Lease	490,815	44,332	-
Total		<u>\$ 11,876,429</u>	<u>\$ 473,831</u>	<u>\$ 105,016</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 renovations to the Carroll County High School. Carroll County School Board will pay monthly payments of \$23,256 beginning March 5, 2015 and ending on March 5, 2055.

A lease purchase agreement was entered into with the Carroll County School Board for school buses. The Carroll County School Board will pay monthly payments of \$4,922 beginning on July 7, 2016 and ending on January 2, 2026.

**NOTE 4—NOTE RECEIVABLE:**

During fiscal year 2016, the Authority closed on the sale of the Authority's natural gas line. The initial purchase price was \$2,200,000, which consisted of a down payment of \$50,000, a note receivable of \$350,000 and an incentive credit of \$1,800,000.

The \$350,000 note receivable will be amortized over a period of 5 years with interest payable at an annual rate equal to prime rate (published in the Wall Street Journal at the closing date) minus one-half percent, with no payments due for 5 years from the closing date. As of June 30, 2016, the no payments had been made towards this balance.

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INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016

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**NOTE 4—NOTE RECEIVABLE: (CONTINUED)**

The \$1,800,000 note receivable will be forgiven as the purchaser makes capital improvements to the system in the amount of \$2,200,000 in Carroll County over a five year period. Credits to the receivable will be given as follows:

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

In addition, the purchaser agreed to pay the Authority \$60,000 for the Authority's employee. The first payment of \$20,000 was received on January 7, 2016. Remaining payments to be made as follows:

<u>Due Date</u>	<u>Note Receivable</u>
June 1, 2016	\$ 10,000
December 31, 2016	20,000
June 1, 2017	10,000
Total	<u>\$ 40,000</u>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2016**

**NOTE 5—CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 45,451	\$ -	\$ -	\$ 45,451
Land rights	110,187	11,000	(120,187)	1,000
Construction in progress	384,176	-	(25,870)	358,306
Total capital assets not being depreciated	<u>\$ 539,814</u>	<u>\$ 11,000</u>	<u>\$ (146,057)</u>	<u>\$ 404,757</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 250,610	\$ -	\$ -	\$ 250,610
Machinery and equipment	296,483	-	(41,357)	255,126
Total capital assets being depreciated	<u>\$ 547,093</u>	<u>\$ -</u>	<u>\$ (41,357)</u>	<u>\$ 505,736</u>
Accumulated depreciation:				
Buildings and improvements	\$ (41,416)	\$ (14,833)	\$ -	\$ (56,249)
Machinery and equipment	(171,497)	(14,322)	8,862	(176,957)
Total accumulated depreciation	<u>\$ (212,913)</u>	<u>\$ (29,155)</u>	<u>\$ 8,862</u>	<u>\$ (233,206)</u>
Total capital assets being depreciated, net	<u>\$ 334,180</u>	<u>\$ (29,155)</u>	<u>\$ (32,495)</u>	<u>\$ 272,530</u>
Business-type activities capital assets, net	<u>\$ 873,994</u>	<u>\$ (18,155)</u>	<u>\$ (178,552)</u>	<u>\$ 677,287</u>

The Authority purchases land and buildings for development and resale. Land and buildings purchased for future development by the Industrial Development Authority are valued at cost which totals \$2,692,379. No depreciation is recorded against land and buildings held for resale.

**NOTE 6—LONG-TERM OBLIGATIONS:**

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Lease revenue bonds	\$ 5,670,000	\$ -	\$ (175,000)	\$ 5,495,000
Lease revenue notes	100,684	510,000	(25,734)	584,950
Rural Development lease revenue bonds	5,706,617	196,200	(79,058)	5,823,759
Carroll County Note	928,024	-	(82,750)	845,274
Total	<u>\$ 12,405,325</u>	<u>\$ 706,200</u>	<u>\$ (362,542)</u>	<u>\$ 12,748,983</u>



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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2016**

**NOTE 6—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 Bonds		Lease Revenue Notes		Carroll County Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 256,459	\$ 434,975	\$ 54,209	\$ 18,293	\$ 86,984	\$ 40,288
2018	269,179	424,855	55,993	16,509	91,434	35,838
2019	276,995	414,339	57,837	14,665	96,112	31,160
2020	289,911	403,423	59,741	12,761	101,029	26,243
2021	302,931	392,003	61,708	10,794	106,198	21,074
2022-2026	1,688,852	1,768,383	63,741	8,761	363,517	29,543
2027-2031	2,062,195	1,385,696	65,841	6,661	-	-
2032-2036	2,523,361	913,068	68,011	4,491	-	-
2037-2041	825,753	569,607	56,815	2,249	-	-
2042-2046	983,425	411,935	41,054	502	-	-
2047-2051	1,171,203	224,157	-	-	-	-
2052-2054	668,495	30,711	-	-	-	-
Totals	\$ 11,318,759	\$ 7,373,152	\$ 584,950	\$ 95,686	\$ 845,274	\$ 184,146

Details of indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Lease Revenue Bonds:							
Lease Revenue Bond*	3.25-4.38%	7/1/2005	7/20/2035	\$175,000-615,000 a+	\$ 10,510,000	\$ 5,495,000	\$ 180,000
RD Lease Revenue Bond	3.50%	6/12/2013	3/5/2054	\$23,256 m	5,932,500	5,823,759	76,459
Lease Revenue Bonds Total						\$ 11,318,759	\$ 256,459
Lease Revenue Notes:							
School Bus Loan	3.125%	1/2/2016	1/2/2026	\$4,922 m	\$ 510,000	\$ 493,846	\$ 44,262
Mini Pumper Fire Truck Loan	3.83%	4/30/2009	4/24/2024	\$13,438 a	151,175	91,104	9,947
Lease Revenue Notes Total						\$ 584,950	\$ 54,209
Carroll County Note	5.00%	6/29/2014	5/29/2024	\$127,272 a	1,000,000	\$ 845,274	\$ 86,984
Total Long-term Obligations						\$ 12,748,983	\$ 397,652

\* 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



INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

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**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.

**NOTE 9—LITIGATION:**

As of June 30, 2016, 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.

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## 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*

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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, 2016, 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 December 20, 2016.

### Internal Control over Financial Reporting

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Turner, & Associates*

Blacksburg, Virginia  
December 20, 2016