

INDUSTRIAL DEVELOPMENT AUTHORITY

OF CARROLL COUNTY, VIRGINIA

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

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)
FINANCIAL REPORT
JUNE 30, 2019

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FINANCIAL SECTION



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, a component unit of Carroll County, Virginia, as of and for the year ended June 30, 2019, 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.

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, 2019, 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.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2019, the Carroll County Industrial Development Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

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 16, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Carroll County Industrial Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carroll County Industrial Development Authority's internal control over financial reporting and compliance.

Polina, Farrow, Cox Associates

Blacksburg, Virginia
December 16, 2019

Basic Financial Statements

Industrial Development Authority of Carroll County, Virginia
Statement of Net Position
June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 586,533
Interest receivable	109,415
Accounts receivable	50
Notes receivable - current portion	71,600
Lease-purchase receivable - current portion	550,968
	<hr/>
Total current assets	\$ 1,318,566

Noncurrent assets:

Assets held for resale:

Industrial sites	\$ 2,150,558
Cash and cash equivalents - restricted	195,707
Notes receivable - net of current portion	3,039,536
Lease-purchase receivable - net of current portion	10,791,772

Capital assets (net of depreciation):

Land and land rights	81,451
Construction in progress	87,885
Buildings and improvements	315,947
Machinery and equipment	45,354
Total capital assets (net of depreciation)	<hr/> \$ 530,637

Total noncurrent assets \$ 16,708,210

Total assets

\$ 18,026,776

LIABILITIES

Current liabilities:

Accounts payable	\$ 3,966
Accrued interest payable	87,843
Unearned revenue	18,593
Lease revenue bonds/notes payable - current portion	536,055
Due to primary government	220,000
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Total current liabilities \$ 866,457

Noncurrent liabilities:

Lease revenue bonds/notes payable - net of current portion	<hr/> \$ 11,780,902
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Total liabilities

\$ 12,647,359

NET POSITION

Net investment in capital assets	\$ 237,249
Restricted	195,707
Unrestricted	4,946,461
	<hr/>

Total net position

\$ 5,379,417

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, 2019

OPERATING REVENUES

Revenue from the use of property	\$	215,570
Miscellaneous		<u>5,000</u>
Total operating revenues	\$	<u>220,570</u>

OPERATING EXPENSES

Professional services	\$	22,338
Facilities repair and maintenance		4,765
Insurance		6,069
Miscellaneous		654
Depreciation		<u>34,000</u>
Total operating expenses	\$	<u>67,826</u>

Net operating income (loss)	\$	<u>152,744</u>
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NONOPERATING REVENUES (EXPENSES)

Lease purchase revenue	\$	184,650
Reimbursements to primary government		(8,161)
Grant revenue		120,000
Grant expense		(307,102)
Interest income		251,066
Interest expense		<u>(429,087)</u>

Total nonoperating revenues (expenses)	\$	<u>(188,634)</u>
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Change in net position	\$	(35,890)
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Net position - beginning		<u>5,415,307</u>
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Net position - ending	\$	<u><u>5,379,417</u></u>
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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 Cash Flows
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from others	\$ 240,163
Payments to suppliers for goods and services	<u>(37,403)</u>
Net cash provided by (used for) operating activities	<u>\$ 202,760</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Lease purchase revenue	\$ 172,734
Notes receivable issued	(150,000)
Payments received on notes receivable	42,583
Proceeds from indebtedness	400,000
Principal payments on indebtedness	(479,662)
Interest expense	(422,610)
Contributions from primary government	211,839
Grant revenue	120,000
Grant expense	<u>(307,102)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (412,218)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (29,698)
Principal payments on indebtedness	(20,412)
Interest expense	<u>(9,803)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (59,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 241,691</u>
Net increase (decrease) in cash and cash equivalents	\$ (27,680)
Cash and cash equivalents at beginning of year (including restricted cash of \$95,350)	<u>809,920</u>
Cash and cash equivalents at end of year (including restricted cash of \$195,707)	<u><u>\$ 782,240</u></u>
<i>Reconciliation of net operating income (loss) to net cash provided by (used for) operating activities:</i>	
Net operating income (loss)	\$ 152,744
Adjustments to reconcile net operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	34,000
(Increase) decrease in accounts receivable	1,000
Increase (decrease) in accounts payable	(3,577)
Increase (decrease) in unearned revenue	<u>18,593</u>
Net cash provided by (used for) operating activities	<u><u>\$ 202,760</u></u>

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, 2019

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 Authority).

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 Authority follows business-type activities requirements, which provides that the following sections 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, 2019

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.

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 did not have any deferred outflows of resources as of June 30, 2019.

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, 2019.

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

F. Net Position: (Continued)

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.

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

I. Capital Assets: (Continued)

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.

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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

M. Pass-through Financing Leases and Installment Sales: (Continued)

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.

L. Unearned Revenue:

Unearned rent revenue (rent for the month of July 2019) of \$18,593 was recorded at June 30, 2019.

NOTE 2—DEPOSITS AND INVESTMENTS:

A. Deposits:

The Authority has over \$250,000 in one bank. The deposits in excess of \$250,000 are not covered by the Federal Deposit Insurance Corporation (FDIC) and, accordingly, are exposed to custodial credit risk because they are uncollateralized. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor government’s name.

The following account was exposed to custodial credit risk:

Account	Banks	Reconciled Balance	Insured by FDIC	Uninsured	Credit Risk
Skyline DDA Checking Account	Skyline National Bank	\$ 782,240	\$ 250,000	\$ 532,240	1

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, 2019.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 3—LEASE PURCHASE RECEIVABLES:

The following is a summary of lease purchase receivables of the Authority for the year ended June 30, 2019:

<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	County Complex	\$ 4,987,400	\$ 220,000	\$ 70,207
Carroll County, Virginia	Fire Truck	357,569	20,994	404
Carroll County School Board	CCHS HVAC	5,641,326	261,356	-
Carroll County School Board	RD Bus Lease	356,445	48,618	-
Total		\$ 11,342,740	\$ 550,968	\$ 70,611

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 County of Carroll for the purchase of a fire truck. 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 August 17, 2018.

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—NOTES RECEIVABLE:

ANG Gas Line 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, 2019, no payments had been made towards this balance. Accrued interest on the note receivable at June 30, 2019 totaled \$36,966.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4—NOTES RECEIVABLE: (CONTINUED)

ANG Gas Line 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	<u>700,000</u>
Total	<u>\$ 1,800,000</u>

ANG also owes \$10,000 for a note receivable related to personnel costs.

Holiday Trees, LLC Receivable:

During fiscal year 2017, the Authority closed on the sale of an Industrial Park Property. The purchase price of the property was \$165,000, which consisted of a price of a down payment of \$5,000 and a note receivable of \$160,000.

The note is amortized over a period of 15 years with interest payable at an annual rate of 3.00%. As of June 30, 2019, the balance of the note was \$140,335.

New River Polymer, LLC Receivable:

During fiscal year 2018, the Authority closed on the sale of an Industrial Park Property. The purchase price of the property was \$700,000, which consisted of a price of a down payment of \$49,000 and a note receivable of \$651,000.

The note is amortized over a period of 20 years with interest payable at an annual rate of 3.50%. As of June 30, 2019, the balance of the note was \$630,051. Accrued interest on the note receivable at June 30, 2019 totaled \$1,838.

Va. Produce Company, Inc. Receivable:

In conjunction with the Tobacco Region Revitalization Commission, the Authority has agreed to loan Va. Produce Company, Inc. \$47,500. The Company will repay the Authority which will in turn repay the commission. The principal is to be repaid in 10 semi-annual payments of \$4,750 through August 1, 2022. The loan bears no interest except as required in the event of default. As of June 30, 2019, the balance on the note was \$33,250.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 4—NOTES RECEIVABLE: (CONTINUED)

S&S Transporters Receivable:

In conjunction with the Tobacco Region Revitalization Commission, the Authority has agreed to loan S&S Transporters \$125,000. The Company will repay the Authority which will in turn repay the commission. The principal is to be repaid in 10 semi-annual payments of \$12,500 through August 1, 2023. The loan bears no interest except as required in the event of default. As of June 30, 2019, the balance on the note was \$125,000.

New River Polymer, LLC Receivable:

In conjunction with the Tobacco Region Revitalization Commission, the Authority has agreed to loan New River Polymer, LLC \$25,000. The Company will repay the Authority which will in turn repay the commission. The principal is to be repaid in 10 semi-annual payments of \$2,500 through August 1, 2023. The loan bears no interest except as required in the event of default. As of June 30, 2019, the balance on the note was \$22,500.

NOTE 5—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2019 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	\$ 80,451	\$ -	\$ -	\$ 80,451
Land rights	1,000	-	-	1,000
Construction in progress	63,464	24,421	-	87,885
Total capital assets not being depreciated	<u>\$ 144,915</u>	<u>\$ 24,421</u>	<u>\$ -</u>	<u>\$ 169,336</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 424,863	\$ 5,277	\$ -	\$ 430,140
Machinery and equipment	255,126	-	-	255,126
Total capital assets being depreciated	<u>\$ 679,989</u>	<u>\$ 5,277</u>	<u>\$ -</u>	<u>\$ 685,266</u>
Accumulated depreciation:				
Buildings and improvements	\$ (90,271)	\$ (23,922)	\$ -	\$ (114,193)
Machinery and equipment	(199,694)	(10,078)	-	(209,772)
Total accumulated depreciation	<u>\$ (289,965)</u>	<u>\$ (34,000)</u>	<u>\$ -</u>	<u>\$ (323,965)</u>
Total capital assets being depreciated, net	<u>\$ 390,024</u>	<u>\$ (28,723)</u>	<u>\$ -</u>	<u>\$ 361,301</u>
Business-type activities capital assets, net	<u>\$ 534,939</u>	<u>\$ (4,302)</u>	<u>\$ -</u>	<u>\$ 530,637</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 \$2,150,558. No depreciation is recorded against land and buildings held for resale.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2019:

	Balance July 1, 2018	Issuances	Retirements	Balance June 30, 2019
Direct Borrowings and Placements:				
Lease revenue bonds	\$ 5,200,000	\$ -	\$ (212,600)	\$ 4,987,400
Lease revenue notes	471,557	375,000	(75,368)	771,189
Rural Development lease revenue bonds	5,668,080	-	(81,988)	5,586,092
Carroll County note	666,856	-	(96,112)	570,744
Cana Rescue note	242,788	-	(9,506)	233,282
VA Tobacco Commission notes	167,750	25,000	(24,500)	168,250
Total	<u>\$ 12,417,031</u>	<u>\$ 400,000</u>	<u>\$ (500,074)</u>	<u>\$ 12,316,957</u>

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

Year Ending June 30,	Direct Borrowings and Placements					
	Lease Revenue Bonds		Lease Revenue Notes		Other Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 304,913	\$ 360,966	\$ 80,839	\$ 22,227	\$ 150,303	\$ 33,064
2021	315,633	350,290	83,395	19,671	155,785	27,582
2022	326,661	339,241	86,032	17,034	161,522	21,845
2023	338,099	327,804	88,753	14,313	162,797	15,820
2024	349,953	315,967	91,561	11,505	149,358	9,509
2025-2029	1,942,502	1,387,233	221,344	28,033	71,506	22,713
2030-2034	2,307,065	1,022,537	119,265	7,039	69,965	13,010
2035-2039	1,517,922	651,133	-	-	51,040	2,556
2040-2044	917,052	478,308	-	-	-	-
2045-2049	1,092,156	303,204	-	-	-	-
2050-2054	1,161,536	95,646	-	-	-	-
Totals	<u>\$ 10,573,492</u>	<u>\$ 5,632,329</u>	<u>\$ 771,189</u>	<u>\$ 119,822</u>	<u>\$ 972,276</u>	<u>\$ 146,099</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

NOTE 6—LONG-TERM OBLIGATIONS: (CONTINUED)

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
Direct Borrowings and Placements:							
Lease Revenue Bonds (LRB):							
Capital One Public Funding LRB*	3.42%	10/31/2017	8/1/2035	\$212,600-380,300 a+	\$ 5,200,000	\$ 4,987,400	\$ 220,000
Rural Development LRB*	3.50%	6/12/2013	3/5/2054	\$23,256 m	5,932,500	5,586,092	84,913
Lease Revenue Bonds Total						\$ 10,573,492	\$ 304,913
Lease Revenue Notes (LRN):							
Rural Development School Bus LRN*	3.125%	1/2/2016	1/2/2026	\$4,922 m	\$ 510,000	\$ 353,514	\$ 48,710
Skyline Fire Truck LRN	3.83%	4/30/2009	4/24/2024	\$13,438 a	151,175	60,106	11,135
Rural Development Fire Truck LRN*	2.75%	8/17/2018	8/17/2033	\$2,547 m	375,000	357,569	20,994
Lease Revenue Notes Total						\$ 771,189	\$ 80,839
Notes:							
Carroll County Note	5.00%	6/29/2014	5/29/2024	\$127,272 a	\$ 1,000,000	\$ 570,744	\$ 101,029
Skyline Cana Rescue Note	2.92% **	9/21/2017	10/1/2037	\$1,383 m	250,000	233,282	9,774
Va Tobacco Commission	0.00%	8/1/2017	8/1/2022	\$4,750 sa	47,500	33,250	9,500
Va Tobacco Commission	0.00%	3/6/2018	8/1/2023	\$12,500 sa	125,000	112,500	25,000
Va Tobacco Commission	0.00%	9/26/2018	8/1/2023	\$2,500 sa	25,000	22,500	5,000
Notes Total						\$ 972,276	\$ 150,303
Total Long-term Obligations						\$ 12,316,957	\$ 536,055

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

** Variable rate after 10/1/2022

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

(m) - monthly installments, including interest

(a) - annual installments, including interest

(sa) - semi-annual installments, zero interest

If an event of default occurs with Capital One Public Funding and Skyline Bank, the principal of the bonds/notes may be declared immediately due and payable to the registered owner of the bonds/notes by written notice to the Authority.

If an event of default occurs with Rural Development, the holders of the bonds/notes at their option may declare the entire unpaid principal amount of the bonds/notes then outstanding and accrued interest thereon to be immediately due and payable.

If an event of default occurs with Va Tobacco Commission, the Authority shall repay the remaining amount owed within thirty days of notice from the Commission along with an additional 5% of the amount owed.

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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.

NOTE 9—LITIGATION:

As of June 30, 2019, 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 10—ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

NOTE 11—ADOPTION OF NAME CHANGE:

On July 8, 2019, the County of Carroll Board of Supervisors approved changing the name of the Authority from the Industrial Development Authority of Carroll County to the Economic Development Authority of Carroll County. This change had no other impact to the Authority or the County of Carroll.

NOTE 12—DUE TO PRIMARY GOVERNMENT:

The County of Carroll wrote a check to the Authority for \$220,000 to pay down the fire truck loan. Prior to June 30, 2019, or soon thereafter, the County requested these funds to be returned. As of June 30, 2019, the amount shows as an amount due to primary government.

Compliance



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, a component unit of Carroll County, Virginia, as of and for the year ended June 30, 2019, 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 16, 2019.

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.

Polina, Farrow, Cox Associates

Blacksburg, Virginia
December 16, 2019