

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2008**

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA  
(A COMPONENT UNIT OF THE COUNTY OF CARROLL, VIRGINIA)  
FINANCIAL REPORT  
JUNE 30, 2008

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**FINANCIAL SECTION**

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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CLERK OF PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the Carroll County Industrial Development Authority, a component unit of the County of Carroll, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the entity's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Carroll County Industrial Development Authority's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carroll County Industrial Development Authority as of June 30, 2008, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Authority has elected to omit Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
January 30, 2009

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**BASIC FINANCIAL STATEMENTS**

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## INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

**Statement of Net Assets**  
**As of June 30, 2008**


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**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 416,447
Investments	1,579
Interest receivable	168,937
Accounts receivable	116,873
	<hr/>
Total Current Assets	\$ 703,836
Assets held for resale:	
Industrial sites	\$ 888,543
Noncurrent assets:	
Cash and cash equivalents - restricted	\$ 6,448
Deferred issuance costs	220,593
Lease-purchase receivable - net of current portion	9,555,000
Capital Assets:	
Land	274,314
Buildings and system	1,971,690
Less accumulated depreciation	(560,157)
Total Capital Assets	\$ 1,685,847
Total Noncurrent Assets	\$ 11,467,888
	<hr/>
Total Assets	\$ 13,060,267

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 11,812
Accrued interest payable	203,005
Lease payable	74,521
Bonds and notes payable-current portion	927,624
Total current liabilities	\$ 1,216,962
Noncurrent liabilities:	
Lease payable - net of current portion	\$ 327,096
Bonds and notes payable - net of current portion	10,318,642
	<hr/>
Total Noncurrent Liabilities	\$ 10,645,738
	<hr/>
Total liabilities	\$ 11,862,700

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 324,334
Restricted for construction	6,448
Unrestricted	866,785
	<hr/>
Total Net Assets	\$ 1,197,567

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 Assets**  
**For the Year Ended June 30, 2008**


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Operating Revenues:	
Contributions--Carroll County	\$ 240,122
Revenue from the use of property	123,650
Miscellaneous	<u>323</u>
Total operating revenues	<u>\$ 364,095</u>
Operating Expenses:	
Beaver Dam Trail	\$ 25,207
Professional fees	8,800
Operating expenses	9,782
Rent expense	47,248
Depreciation	<u>283,206</u>
Total operating expenses	<u>\$ 374,243</u>
Operating revenues (loss)	<u>\$ (10,148)</u>
Nonoperating Revenues (Expenses):	
Lease purchase revenue	\$ 379,846
Loss on sale of land	(69,119)
Interest income	13,293
Interest expense	<u>(518,790)</u>
Total nonoperating income (expenses)	<u>\$ (194,770)</u>
Change in net assets	\$ (204,918)
Net assets, beginning of year, as restated	<u>1,402,485</u>
Net assets, end of year	<u><u>\$ 1,197,567</u></u>

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, 2008**

Cash flows from Operating activities:	
Receipts from others	\$ 364,095
Payments to suppliers for goods and services	<u>(91,037)</u>
Net cash provided by (used in) operating activities	<u>\$ 273,058</u>
Cash flows from Capital and related financing activities:	
Lease purchase revenue	\$ 880,026
Proceeds from the sale of land	53,473
Proceeds from indebtedness	446,175
Principal payments on indebtedness	(1,147,640)
Interest payments on indebtedness	<u>(491,698)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (259,664)</u>
Cash flows from Investing activities:	
Proceeds from loans receivable	\$ 125,000
Interest received	<u>13,293</u>
Net cash provided by (used in) investing activities	<u>\$ 138,293</u>
Increase (decrease) in cash and cash equivalents	\$ 151,687
Cash and cash equivalents at beginning of year (including restricted amount of \$6,244)	<u>272,787</u>
Cash and cash equivalents at end of year (including restricted amount of \$6,448)	<u><u>\$ 424,474</u></u>
<b>Reconciliation of operating income (loss) to net cash provided</b>	
<b>(used by) operating activities:</b>	
Operating income (loss)	\$ (10,148)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	<u>\$ 283,206</u>
Net cash provided by (used in) operating activities	<u><u>\$ 273,058</u></u>
Supplemental disclosure required:	
Interest paid during the year on indebtedness	<u>\$ 491,698</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, 2008

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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 government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant polities.

#### A. Determination of the Reporting Entity:

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. The Authority is a component unit of Carroll County, 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 whom facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The 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 Accounting:

The Authority operates as an enterprise activity and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The Authority follows all applicable GASB pronouncements and FASB pronouncements issued before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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. Operating expenses include the cost of administration and related expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

# INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

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

#### C. Cash and Cash Equivalents:

For purposes of the statement of cash flows and the balance sheet, 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.

#### D. 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.
- When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### E. Use of Estimates:

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

#### F. Pass-Through Financing Leases and Installment Sales:

The principal activities of the Authority represent pass through leases or installments sales. These agreements provided 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.

# INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008

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

#### G. Property and Equipment:

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. Buildings are depreciated over twenty years using the straight-line method.

#### H. Deferred Income:

Contributions are recognized as income of the Authority when the activities for which the contributions were designated have been completed.

#### I. Net Assets:

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

### **NOTE 2—DEPOSITS AND INVESTMENTS:**

#### Deposits:

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

#### Investments:

Statutes authorize the Authority 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).

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2—DEPOSITS AND INVESTMENTS:** (Continued)

Credit Risk of Debt Securities:

The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2008 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using Standard and Poor's rating scale.

**Authority's Rated Debt Investments' Values**

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>			
	<u>AAA</u>	<u>AAAm</u>	<u>AAm</u>	<u>Unrated</u>
LGIP	\$ -	\$ 1,579	\$ -	\$ -

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia state Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

**NOTE 3—CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2008 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	\$ 274,314	\$ -	\$ -	\$ 274,314
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,971,690	\$ -	\$ -	\$ 1,971,690
Less: accumulated depreciation for:				
Buildings and improvements	\$ (276,951)	\$ (283,206)	\$ -	\$ (560,157)
Total capital assets being depreciated, net	\$ 1,694,739	\$ (283,206)	\$ -	\$ 1,411,533
Business - Type activities capital assets, net	\$ 1,969,053	\$ (283,206)	\$ -	\$ 1,685,847

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3—CAPITAL ASSETS: (Continued)**

The Authority purchased land for development. Land purchased for future development by the Industrial Development Authority is valued at cost which totals \$888,543. No depreciation is recorded against land held for resale.

**NOTE 4—LONG TERM DEBT:**

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

<u>Year Ending June 30,</u>	<u>Lease Revenue Bonds/Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 927,624	\$ 441,790
2010	960,248	407,510
2011	962,911	371,936
2012	781,069	337,887
2013	734,774	309,965
2014-2018	1,895,309	1,235,907
2019-2023	1,065,000	1,002,425
2024-2028	1,305,000	754,459
2029-2033	1,610,000	437,344
2034-2037	1,145,000	78,634
Totals	<u>\$ 11,386,935</u>	<u>\$ 5,377,857</u>

Changes in long term debt:

	<u>Balance July 1, 2007</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Revenue bonds	\$ 12,016,572	\$ 446,175	\$ (1,075,812)	\$ 11,386,935
Lease purchase agreements	473,444	-	(71,827)	401,617
Deferred amount on refunding	(175,636)	-	34,967	(140,669)
Total	<u>\$ 12,314,380</u>	<u>\$ 446,175</u>	<u>\$ (1,112,672)</u>	<u>\$ 11,647,883</u>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 4—LONG TERM DEBT: (Continued)**

Details of indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Revenue Bond:</b>		
On December 23, 2003 the Authority issued a \$1,140,000 revenue bond bearing interest 3.60%. Beginning December 15, 2005, combined principal and interest payments of \$150,540 are due annually on December 15 until paid in full on December 15, 2013.	<u>\$ 799,532</u>	<u>\$ 121,757</u>
<b>Lease Revenue Bonds:</b>		
On July 1, 2005 the Authority issued a \$10,510,000 lease revenue bond bearing interest between 3.25% and 4.375%. Combined principal and interest payments are due semi-annually on July 20th and January 20th. If not paid sooner, the final installment shall be due and payable 30 years from the issuance date. This revenue bond is secured by a lease/purchase agreement with the County of Carroll. Principal payments vary from \$175,000 to \$615,000	<u>\$ 9,555,000</u>	<u>\$ 505,000</u>
<b>Other Obligations:</b>		
On December 21, 2005 the Authority entered into a \$526,010 deed of trust agreement bearing interest of 4.625%. Principal payments of \$105,202 plus interest are due annually until paid in full on December 15, 2011.	<u>\$ 329,753</u>	<u>\$ 104,987</u>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 4—LONG TERM DEBT: (Continued)**

Details of indebtedness (Continued):

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Other Obligations (Continued):</b>		
On January 19, 2007 the Authority entered into a \$450,175 commercial loan agreement bearing interest of 4.30%. Combined principal and interest payments \$123,100 are due annually until paid in full on January 19, 2011.	<u>\$ 317,743</u>	<u>\$ 111,218</u>
On September 7, 2007 the Authority entered into a \$446,175 commercial loan agreement bearing interest of 4.1%. Combined principal and interest payments \$99,154 are due annually until paid in full on September 7, 2012.	<u>\$ 384,907</u>	<u>\$ 84,662</u>
Total Other Obligations	<u>\$ 1,032,403</u>	<u>\$ 300,867</u>
Lease purchase agreements	<u>\$ 401,617</u>	<u>\$ 74,521</u>
Total Long-Term Obligations	<u><u>\$ 11,788,552</u></u>	<u><u>\$ 1,002,145</u></u>

**Note 5-Capital Lease:**

The IDA entered into a lease agreement to finance the acquisition of fire equipment. This equipment was subsequently transferred to a Fire Department. As such, the IDA has not recorded an asset to offset this lease purchase agreement. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Fiscal Year Ended</u>	<u>Amount Due</u>
2009	\$ 89,581
2010	89,581
2011	89,581
2012	89,582
2013	<u>89,582</u>
Total minimum lease payments	\$ 447,907
Less: amount representing interest	<u>(46,290)</u>
Present value of minimum lease payments	<u><u>\$ 401,617</u></u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF CARROLL COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

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**NOTE 6—LEASE PURCHASE RECEIVABLE:**

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. At June 30, 2008 the amount of principal and interest due under this agreement totaled \$9,723,937. Of this amount \$9,555,000 represents principal due and \$168,937 represents interest.

**NOTE 7—CONTINGENCIES AND SUBSEQUENT EVENTS:**

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 8—RESTATEMENT OF PREVIOUSLY ISSUED STATEMENTS:**

Net assets as previously reported	\$ 1,198,599
Add: Capital assets previously unreported	203,886
Net assets as restated	<u>\$ 1,402,485</u>



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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CLERKED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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 Members of the  
Carroll County Industrial Development Authority  
Hillsville, Virginia

We have audited the financial statements of the Carroll County Industrial Development Authority (a component unit of the County of Carroll, Virginia), as of and for the year ended June 30, 2008, and have issued our report thereon dated January 30, 2009. 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.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Carroll County Industrial Development Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Industrial Development Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Carroll County Industrial Development Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Carroll County Industrial Development Authority's financial statements that is more than inconsequential will not be prevented or detected by the Carroll County Industrial Development Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (reference 2008-1, 2008-2) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Carroll County Industrial Development Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 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*.

The Carroll County Industrial Development Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Carroll County Industrial Development Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia  
January 30, 2009

**Carroll County Industrial Development Authority**

Schedule of Findings and Responses  
Year Ended June 30, 2008

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Section II - Financial Statement Findings**

**2008-1**

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Condition:	The books as presented for audit required material adjustments to meet reporting standards.
Criteria:	Per Statement on Auditing Standards 112, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report. In addition, the auditee should have sufficient internal controls over the preparation of financial statements in accordance with Generally Accepted Accounting Principles. Furthermore, reliance on the auditors to post such transactions is not a component of internal controls.
Effect:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Management's Response:	The Industrial Development Authority is using the newly hired County Finance Director to assist in preparing financial statements in accordance with applicable reporting standards and the Industrial Development Authority expects as the Finance Director becomes more familiar with operations of the Industrial Development Authority that the number of audit adjustments will decrease significantly.

**2008-2**

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Condition:	The Industrial Development Authority's books did not include activity that occurred in it's account held with U.S. Bank. Statements for this account are delivered to the Industrial Development Authority's secretary and not to the Industrial Development Authority's fiscal agent.
Criteria:	Per Statement on Auditing Standards 112, an auditee should have sufficient internal controls over the preparation of financial statements in accordance with Generally Accepted Accounting Principles.
Effect:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Management's Response:	The Industrial Development Authority will turn over all bank accounts to its' fiscal agent immediately and same will be included in future financial statements.