

INDUSTRIAL DEVELOPMENT AUTHORITY

OF PULASKI COUNTY, VIRGINIA

FINANCIAL REPORT

Year Ended June 30, 2003

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Compliance:

Report on Compliance and on the Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards 13

The fiduciary affidavits listed in the Table of Contents are not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express any assurances on such information.

Robinson, Farmer, Co. Associates

Christiansburg, Virginia
October 31, 2003

BASIC FINANCIAL STATEMENTS

INDUSTRIAL DEVELOPMENT AUTHORITY OF COUNTY OF PULASKI, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2003

Operating Revenues:	
Lease/Rental Fees	\$ 213,420
Sale of Property	69,471
Reimbursement from County	1,214,295
Miscellaneous	15,094
	<hr/>
Total operating income	\$ 1,512,280
Expenditures:	
Board Compensation	\$ 2,700
Contractual Services	530,270
Local Industry Assistance	584,926
Utilities	46,621
Miscellaneous	31,412
Depreciation	151,000
	<hr/>
Total operating expenses	\$ 1,346,929
Operating income (loss)	<hr/> \$ 165,351
Nonoperating Revenues (Expenses):	
County of Pulaski, Virginia contribution	\$ 213,092
Interest income	5,729
IDA Interest	(227,672)
	<hr/>
Total nonoperating income (expenses)	\$ (8,851)
Income before contributions	<hr/> \$ 156,500
Change in net assets	\$ 156,500
Net assets, beginning of year	<hr/> 1,287,264
Net assets, end of year	<hr/> <hr/> \$ 1,443,764

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF COUNTY OF PULASKI, VIRGINIA

Statements of Cash Flows
Year Ended June 30, 2003

Operating activities:	
Receipts from lessees	\$ 207,866
Receipts from others	1,560,071
Payments to suppliers	<u>(1,228,643)</u>
Net cash provided by operating activities	<u>\$ 539,294</u>
Noncapital financing activities:	
Operating grants received	<u>\$ 213,092</u>
Capital and related financing activities:	
Proceeds from indebtedness	\$ 3,882,000
Principal payments on indebtedness	(4,325,595)
Interest payments on indebtedness	<u>(253,322)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (696,917)</u>
Investing activities:	
Interest received	<u>\$ 5,330</u>
Net cash provided by (used in) investing activities	<u>\$ 5,330</u>
Increase (decrease) in cash and cash equivalents	\$ 60,799
Cash and cash equivalents at beginning of year	<u>1,100,969</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,161,768</u></u>
Reconciliation of operating income to net cash provided	
(used by operating activities):	
Operating income	\$ 165,351
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	151,000
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	255,657
Increase (decrease) in accounts payable	<u>(32,714)</u>
Net cash provided by operating activities	<u><u>\$ 539,294</u></u>
Supplemental disclosure required:	
Interest paid during the year on indebtedness	<u>\$ 253,322</u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA

Notes to Financial Statements As of June 30, 2003

NOTE 1—ORGANIZATION, DESCRIPTION OF THE ENTITY:

The Industrial Development Authority of Pulaski, Virginia was created as a political subdivision of the Commonwealth of Virginia by ordinance of Board of Supervisors on September 26, 1967 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 of Pulaski County, Virginia. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing 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 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.

A. Determination of the Reporting Entity

For financial reporting purposes, in conformance with the principles of the Governmental Accounting Standards Board, the Industrial Development Authority of Pulaski County Virginia is a component unit of the County of Pulaski. The Authority is so classified as a component unit because its members are appointed by the Board of Supervisors and the County provides significant funding to the Authority; thus, the County is financially accountable for the Authority. The Authority is reported as a discretely presented component unit in the County's financial report.

B. Basic Financial Statements

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments*. As a result the financial statements are now required to include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations. However, the Industrial Development Authority has elected to omit this analysis.

Other changes are reflected in the accompanying financial statements. The Authority has elected to implement the provisions of the Statement in the current year. Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. For the Authority, the basic financial statements and required supplementary information consist of:

- Management's discussion and analysis (omitted)
- Enterprise fund financial statements
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA

Notes to Financial Statements As of June 30, 2003

NOTE 1—ORGANIZATION, DESCRIPTION OF THE ENTITY: (CONTINUED)

B. Basic Financial Statements (Continued)

Pass-through Financing Leases - Most activities of the Authority represent pass-through leases. These agreements provide for periodic rental payments in amounts which are equal to the principal and interest payments due to project bond holders. The Authority has assigned all rights to the rental payments to the trustees of the bond holders and the lessees have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority recognizes associated assets, liabilities, rental income or interest expense in its financial statements.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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 and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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).

Investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the government or its safekeeping agent in the government's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer bank's trust department or safekeeping agent in the government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the government's name.

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

**Notes to Financial Statements (Continued)
As of June 30, 2003**

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments (Continued)

At year-end, the Industrial Development Authority's investment balances were as follows:

	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments subject to categorization:				
Repurchase Agreements	\$ -	\$ 1,161,768	\$ -	<u>\$ 1,161,768</u>

NOTE 3—REAL ESTATE – LEASE/PURCHASE AGREEMENTS:

- A. The Authority entered into a lease/purchase agreement with LH Corporation on June 18, 1990, for real estate owned by the Authority having a cost of \$84,093 as of June 30, 1991.

The lease period began on October 1, 1990 for a period of two years. The Tenant may extend the lease for an additional period of eighteen years. The amount of the lease payments are to be determined at the time the option to extend the lease is exercised. The Tenant has exercised its option. The lease payments have been adjusted effective April 1, 1995, to \$715 per month, plus Pulaski County real estate taxes.

Since the Tenant has extended the lease for the additional eighteen years, then all lease payments, the two years plus the eighteen years, shall be considered as purchase payments and the property shall be conveyed to the Tenant upon completion of all payments.

In 1994, the Authority entered into a lease/purchase agreement with LH Corporation for building addition costing \$52,139. The lease payments are \$579 per month at 6% interest through March 1, 2005.

NOTE 4—REAL ESTATE LOAN COMMITMENT:

In conjunction with the Opportunity Fund of the Governor of the Commonwealth of Virginia, a loan commitment in the amount of \$1,000,000 a year for five years has been extended as part of the project.

The loan agreement specifies that should capital improvements placed in service exceed agreed upon base amounts, the loan, with its corresponding accrued interest, be forgiven. As of June 30, 1997, a total of \$3,000,000 in Opportunity Fund money has been advanced under the terms of the agreement. The loan was forgiven by certification of capital expenditures by the company as of August 1, 1997.

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

**Notes to Financial Statements (Continued)
As of June 30, 2003**

NOTE 14—NOTES RECEIVABLE:

Annual amount of the Authority's notes receivables and related interest income are as follows:

<u>Year Ending June 30,</u>	<u>Notes Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 12,347	\$ 4,470
2005	10,479	3,309
2006	5,816	2,762
2007	6,267	2,310
2008	6,754	1,824
2009-2013	<u>20,614</u>	<u>2,187</u>
Totals	<u>\$ 62,277</u>	<u>\$ 16,862</u>

Changes in notes receivable:

Receivable balance July 1, 2002	\$ 158,797
Retirements:	
Notes receivable	<u>(96,520)</u>
Receivable balance June 30, 2003	<u>\$ 62,277</u>

Details of notes receivable:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Notes Receivable</u>		
\$215,000 note receivable dated June 15, 1990, from private company for sale of property at the industrial park. Principal and interest payments of \$715, due monthly on the 1st through February 1, 2011, including interest at 7.5% per annum.	\$ 50,247	\$ 5,398
\$78,521 notes receivable dated April 1, 1995, from a private company for the sale of property at the industrial park. Principal and interest payments of \$579, due monthly on the 1st through March 1, 2005, including interest at 7.75% per annum.	<u>12,030</u>	<u>6,949</u>
Total Long-Term Obligations	<u>\$ 62,277</u>	<u>\$ 12,347</u>

COMPLIANCE

