

**INDUSTRIAL DEVELOPMENT AUTHORITY**

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**OF PULASKI COUNTY, VIRGINIA**

**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**

**FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2012**

**Pulaski County Industrial Development Authority  
Annual Financial Report  
Fiscal Year Ended June 30, 2012**

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**FINANCIAL SECTION**

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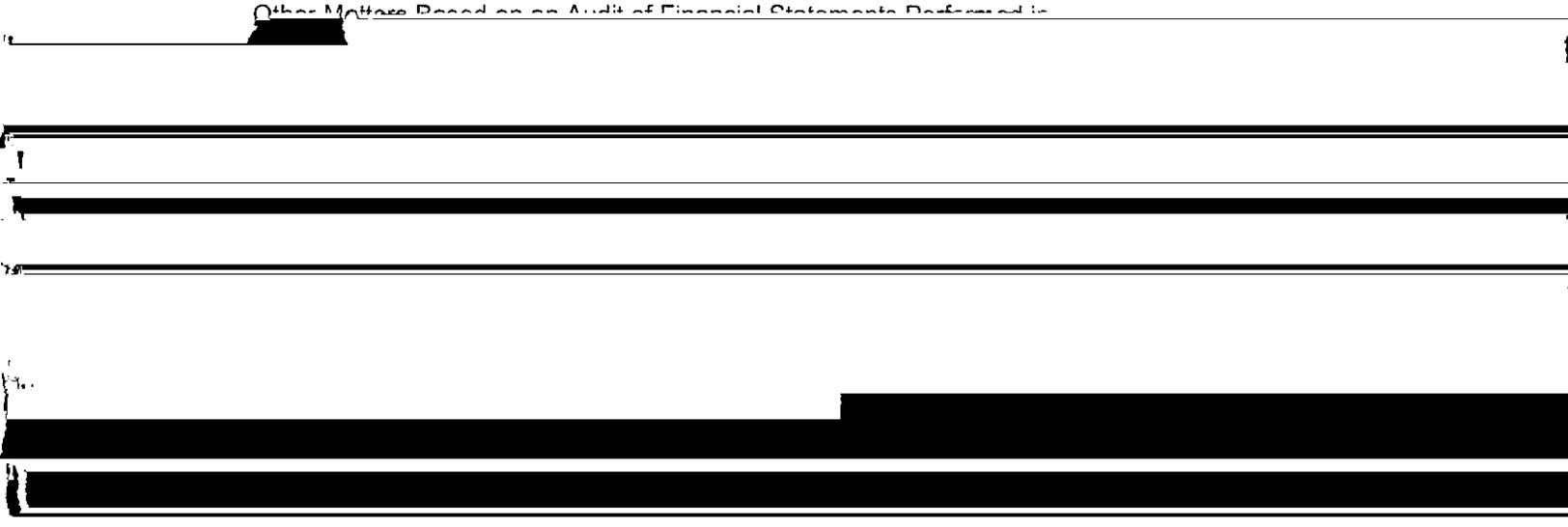
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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

**To the Members of the Board  
Industrial Development Authority of Pulaski County  
Pulaski, Virginia**

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Pulaski County, a component unit of County of Pulaski, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2012**

This report offers readers of the financial statements of the Industrial Development Authority of Pulaski County (IDA) with a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the audit.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: (1) enterprise fund financial statements and (2) notes to the financial statements. This report also contains other background and supplementary information providing a context for the basic financial statements themselves. Enterprise fund financial statements such as that of the IDA are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* (Exhibit 1) presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* (Exhibit 2) presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* (Exhibit 3) provides information regarding the Authority's cash receipts and cash disbursements during the year. This statement differs from the *Statement of Revenues, Expenses, and Changes in Net Assets* statement in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to Financial Statements* beginning on page 9 provide additional information that is essential to a full understanding of the data provided in the financial statements. They provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

**FY 2011-12 HIGHLIGHTS**

1. As noted in Exhibit 1, the assets of the IDA exceeded its liabilities by \$17,509,276 (net assets) as of June 30, 2012.
2. As reported in Exhibit 2, the total net assets of the IDA increased by \$6,765,509 from \$10,743,767 in fiscal year 2010-2011 to \$17,509,276 in fiscal year 2011-2012.

3. Operating revenues in Exhibit 2 of \$1,140,404 primarily consisted of building rental fees and

2015.

7. During the fiscal year 2012, three businesses occupied the Bob White building. Continued expansion of leased space in the building gives hope to eventually eliminating a long-term cash outlay related to the continued ownership of the building. It should be noted that the current amortization of the Bob White building debt will end in 2018 at which time the building will generate a net income assuming the Authority is able to continue leasing space in the building.
8. In FY 2010, Pulaski County was awarded a grant from the Virginia Department of Housing and Community Development Community Development Block Grant for Micro Solutions Microenterprise funding with grant management assistance provided by Beans and Rice, Inc., a local community economic development organization. At the end of fiscal year 2011-2012, the Grant had provided Micro Loans/Micro Credit Loans to a total of 9 local small businesses in the amount of \$174,485.

## FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of an entity's financial position. The Industrial Development Authority of Pulaski County serves as an economic development facilitator and as a leaser or seller of industrial property for the County of Pulaski. Thus, industrial properties acquired by the Board of Supervisors are often transferred to the Authority for the purpose of negotiated sale with a specific employer or development. Likewise, the Authority also serves as a conduit for financing of industrial activity by local employers and the support of those employers by the Board of Supervisors. Finally, the Authority serves as a conduit making possible the tax exempt financing of local industrial activities. In each of these situations, the financial obligations of the Authority are secured by a third party.

2011-12 fiscal years:

	FY 2010-11	FY 2011-12
Operating revenues	\$ 4,451,060	\$ 1,140,101
Operating expenses	(1,125,956)	(731,274)
<u>Income from Operations</u>	<u>\$ 3,325,104</u>	<u>\$ 408,827</u>
Non-operating revenues	\$ 1,238,480	\$ 6,827,298
Non-operating expenses	(384,350)	(470,616)
Non-operating Income (expenses)	\$ 854,130	\$ 6,356,682
Capital Contributions	-	-
<u>Change in Net Assets</u>	<u>\$ 4,179,234</u>	<u>\$ 6,765,509</u>

As noted in the above table, the 2011-12 fiscal year resulted in an increase in Net Assets in the amount of \$6,765,509. Operating revenues decreased by \$3,310,959 while operating expenses decreased by \$394,682.

### CAPITAL ASSETS

The Authority had capital assets (net of accumulated depreciation) totaling \$8,947,011 (as restated) and \$9,932,544 for 2011 and 2012, respectively. These assets consisted of the ownership of the Bob White Building, DeHaven Park (a Claytor Lake property formerly known as Harry's Point), undeveloped portions of the Pulaski County Corporate Center, Maple Shade Center, the former TMD building, and the Heron's Landing housing development in Fairlawn. More information about the IDA's capital assets can be found in Note 3 to the Financial Statements.

### DEBT ADMINISTRATION

At the end of the fiscal year ending June 30, 2012, the Authority had long term debt of \$0,000,000 with

The financial report is designed to provide a general overview of the Authority's finances. Questions regarding this report or requests for additional financial information should be directed to Peter M. Huber, County Administrator, Pulaski County, Virginia, 143 Third Street, Pulaski, VA 24301.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Net Assets**  
**June 30, 2012**

**Assets:***Current Assets:*

Accounts receivable	\$ 64,542
Interest receivable	110,545
Rent receivable	15,508
Capital lease receivable-current portion	328,500
Notes receivable-current portion	<u>662,656</u>

Total Current Assets \$ 1,181,751

*Noncurrent Assets:*

Capital lease receivable-long-term portion	\$ 7,849,585
Notes receivable-long-term portion	8,689,429
Capital assets	13,007,951
Less: accumulated depreciation	<u>(3,075,407)</u>

Total Noncurrent Assets \$ 26,471,558

Total Assets \$ 27,653,309

**Liabilities:***Current Liabilities:*

Accounts payable	\$ 65,046
Interest payable	110,545
Notes payable-current portion	557,821
Bonds payable-current portion	<u>639,599</u>

Total Current Liabilities \$ 1,373,011

*Non-current Liabilities:*

Notes payable-long-term portion	\$ 5,536,188
Bonds payable-long-term portion	2,726,976
Due to County-long-term portion	<u>507,858</u>

Total Non-current Liabilities \$ 8,771,022

Total Liabilities \$ 10,144,033

**Net Assets:**

Invested in capital assets, net of related debt	\$ 8,058,185
Unrestricted	<u>9,451,091</u>

Total Net Assets \$ 17,509,276

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2012**

<b>Operating Revenues:</b>	
Lease/rental fees	\$ 737,658
Microenterprise grant	1,420
Governor's opportunity fund	350,000
Miscellaneous	<u>51,023</u>
Total operating revenues	\$ <u>1,140,101</u>
<b>Operating Expenses:</b>	
Board compensation	\$ 2,750
Materials and maintenance	35,963
Contractual services	68,972
Insurance	38,631
Training	11,483
Utilities	247,255
Revenue refunds	751
Governor's opportunity grant	15,011
Miscellaneous	11,504
Depreciation	<u>298,954</u>
Total operating expenses	\$ <u>731,274</u>
Operating Income (Loss)	\$ <u>408,827</u>
<b>Nonoperating Revenues and (Expenses):</b>	
Interest on notes receivable	\$ 9,606
Recovered costs	281,549
Contributions from County	6,363,543
Assets contributed by REMSI	172,600
Interest expense	<u>(470,616)</u>
Total nonoperating revenues and expenses	\$ <u>6,356,682</u>
Increase (decrease)	\$ <u>6,765,509</u>
<b>Net Assets, Beginning of Year - as Restated</b>	<b>\$ <u>10,743,767</u></b>
<b>Net Assets, End of Year</b>	<b>\$ <u><u>17,509,276</u></u></b>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA**  
**(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**  
**Proprietary Fund Type**  
**Statement of Cash Flows**  
**Year Ended June 30, 2012**

**Cash flows from operating activities:**

Cash received from lessees	\$ 741,513
Cash received from others	358,699
Cash paid to suppliers for goods and services	<u>(580,631)</u>
Net cash provided (used) by operating activities	\$ <u>519,581</u>

**Cash flows from non-capital financing activities:**

Contributions from Pulaski County	\$ 6,371,401
Notes receivable issued	(2,515,452)
Payments received on notes receivable	626,717
Non operating recovered costs	<u>281,549</u>
Net cash provided (used) by non-capital financing activities	\$ <u>4,764,215</u>

**Cash flows from capital and related financing activities:**

Purchase of capital assets	\$ (1,284,487)
Capital lease receivable issued	(2,375,585)
Retirement of indebtedness	(1,145,396)
Interest and loan cost paid on debt	<u>(478,328)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(5,283,796)</u>

Net increase (decrease) in cash \$ -

Cash at beginning of year \$ -

Cash at end of year \$ -

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

**PULASKI COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY)**  
**Notes to Financial Statements**  
**At June 30, 2012**

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**NOTE 1 – ORGANIZATION, DESCRIPTION OF THE ENTITY:**

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 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.

A. Determination of the Reporting Entity

For financial reporting purposes, in conformity with the principles of the Governmental Accounting Standards Board, the Industrial Development Authority of Pulaski County is a component unit of the County of Pulaski, Virginia. The Authority is 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

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, and 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 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.

**PULASKI COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY)**  
**Notes to Financial Statements (Continued)**  
**At June 30, 2012**

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**NOTE 1 – ORGANIZATION, DESCRIPTION OF THE ENTITY: (Continued)**

C. Basis of Accounting:

Industrial Development Authority of Pulaski County, Virginia operates as an enterprise fund 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 of payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

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 charges to customers for sewer charges. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents:

For the purposes of the Statement of Cash Flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less.

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

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.

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 does not have an investment policy.

Investments of the Authority are part of the County's pooled investments. GASB 40 disclosures can be found in the County's June 30, 2012 Financial Report.

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**PULASKI COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY)**  
**Notes to Financial Statements (Continued)**  
**At June 30, 2012**

**NOTE 3 – CAPITAL ASSETS:**

The Authority leases manufacturing facilities. The assets have been recorded at cost. The buildings and improvements are depreciated over an estimated useful life of 39 years using the straight-line method. Capital assets consist of the following:

	<u>Beginning Balance (as restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,057,134	\$ -	\$ -	\$ 1,057,134
Construction in progress	1,731,744	244,181	(1,724,207)	251,718
Total capital assets not being depreciated	<u>\$ 2,788,878</u>	<u>\$ 244,181</u>	<u>\$(1,724,207)</u>	<u>\$ 1,308,852</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>\$ 8,934,586</u>	<u>\$ 2,764,513</u>	<u>\$ -</u>	<u>\$ 11,699,099</u>
Less: accumulated depreciation for:				
Buildings and improvements	<u>\$ (2,776,453)</u>	<u>\$ (298,954)</u>	<u>\$ -</u>	<u>\$ (3,075,407)</u>
Total capital assets being depreciated, net	<u>\$ 6,158,133</u>	<u>\$ 2,465,559</u>	<u>\$ -</u>	<u>\$ 8,623,692</u>
Capital assets, net	<u>\$ 8,947,011</u>	<u>\$ 2,709,740</u>	<u>\$(1,724,207)</u>	<u>\$ 9,932,544</u>

Depreciation expense for the year amounted to \$298,954. Interest paid during construction is capitalized in accordance with generally accepted accounting principles. The Authority capitalizes interest applicable to that portion of indebtedness, the proceeds of which are used to construct new facilities. For the year ended June 30, 2012, no interest paid was capitalized and added to the cost of depreciable buildings and improvements.

**NOTE 4 - CONTINGENCIES AND EVENTS OF DEFAULT:**

Although obligations under the revenue bonds issued to date are secured by lease proceeds and the underlying properties, the Authority retains no liability on pass-through leases. However, the Authority and the Board of Supervisors of Pulaski County, Virginia, may choose, at their option, to assume responsibility for the bonds in the event of default by lessees to preserve the credit rating of the Authority for future issues.

**PULASKI COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY)**  
**Notes to Financial Statements (Continued)**  
**At June 30, 2012**

**NOTE 5 - LONG TERM DEBT:**

Changes in long-term debt:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Revenue bonds	\$ 3,972,213	\$ -	\$ (605,638)	\$ 3,366,575
Lease revenue notes	6,337,755	-	(522,346)	5,815,409
Unamortized bond premiums	296,012	-	(17,412)	278,600
Total	<u>\$ 10,605,980</u>	<u>\$ -</u>	<u>\$ (1,145,396)</u>	<u>\$ 9,460,584</u>

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

<u>Year Ending</u> <u>June 30,</u>	<u>Revenue Bonds</u>		<u>Lease Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 639,599	\$ 155,105	\$ 540,409	\$ 271,118
2014	673,578	121,126	280,000	253,813
2015	709,405	85,299	290,000	243,313
2016	686,722	47,525	300,000	231,712
2017	338,596	21,793	310,000	219,712
2018-2022	318,675	6,764	1,800,000	857,963
2023-2027	-	-	2,295,000	355,500

**PULASKI COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY)**  
**Notes to Financial Statements (Continued)**  
**At June 30, 2012**

**NOTE 5 - LONG TERM DEBT: (Continued)**

Details of indebtedness:

	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Business-Type Activities</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:						
Bobwhite Blvd. Bldg.	5.12%	6/6/2003	2018	\$ 3,882,000	\$ 1,874,359	\$ 284,838
Findlay Industries	5.75%	12/25/2005	2016	2,500,000	1,130,086	269,091
Findlay Industries	6.25%	1/1/2007	2016	750,000	362,130	85,670
<b>Total Revenue Bonds</b>					<b>\$ 3,366,575</b>	<b>\$ 639,599</b>
Lease Revenue Notes:						
Riverlawn Elem. School	3.5-5.25%	2/8/2007	2027	\$ 14,000,000	\$ 5,540,000	\$ 265,000
Unamortized Bond Premium	n/a	2/8/2007	2027	348,248	278,600	17,412
Riverlawn Elem. School	2.92%	4/1/2008	2013	1,300,000	275,409	275,409

Total	\$ 9,460,584	\$ 1,197,420
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**NOTE 6 – DUE TO COUNTY OF PULASKI:**

\$500,000 due to County related to a 1990 revenue bond originally due April 15, 2005. No firm repayment schedule has been set by the Board of Supervisors for this obligation.

**NOTE 7 – NOTES RECEIVABLE:**

At June 30, 2012, the Authority had the following notes receivable:

<u>Due From</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>
Dave Diesel	2011	0.00%	\$ 23,787
Pulaski County	2027	3.5-5.25%	6,094,009
Phoenix Packaging	2025	3.00%	639,738
Phoenix Packaging	2016	4.00%	2,488,267
Titan Wildlife	2016	5.00%	22,499
Platinum Tanz	2016	5.00%	24,782

**PULASKI COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**(A COMPONENT UNIT OF PULASKI COUNTY)**  
**Notes to Financial Statements (Continued)**  
**At June 30, 2012**

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**NOTE 8 – DEFINED BENEFIT PENSION PLAN:**

The Authority participates in the Virginia Retirement System through County of Pulaski, Virginia. The Authority contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). Actuarial information, trend information and the funding status and progress of the plan are included in the comprehensive annual report for County of Pulaski, Virginia.

**NOTE 9 – LEASE PURCHASE RECEIVABLES:**

<u>Due From</u>	<u>Balance Outstanding</u>	<u>Amount Due Within One Year</u>
Phoenix Packaging Operations, LLC	\$ 3,185,704	\$ 216,000
Phoenix Packaging Operations, LLC	2,504,881	-
Dove Properties Virginia, LLC	2,487,500	112,500
Total	<u>\$ 8,178,085</u>	<u>\$ 328,500</u>

A lease purchase agreement was entered into with Phoenix Packaging Operations, LLC for the purchase of a building and land. Phoenix Packing Operations, LLC is required to make payments based on an agreed upon schedule until 2027. At the end of the lease term, the lessee has the option to purchase both the land and building for \$1.

A lease purchase agreement was entered into with Dove Properties Virginia, LLC for the purchase of a building and land. Dove Properties Virginia, LLC is required to make payments based on an agreed upon schedule until 2025. At the end of the lease term, the lessee has the option to purchase both the land and building for \$1.

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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board  
Industrial Development Authority of Pulaski County  
Pulaski, Virginia

We have audited the financial statements of the business-type activities of Industrial Development Authority of Pulaski County, a component unit of Pulaski County, Virginia, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Compliance and Other Matters (continued)

Industrial Development Authority of Pulaski County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Industrial Development Authority of Pulaski County's response and, accordingly, we express no opinion on it.

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

*Robinson, Faure, Co. Associates*

Blacksburg, Virginia

February 27, 2014