

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

Industrial Development Authority of Pulaski, Virginia
Annual Financial Report
Fiscal Year Ended June 30, 2013

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Industrial Development Authority of Pulaski County, Virginia ("Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Industrial Development Authority of Pulaski County, Virginia, as of June 30, 2013, and the respective 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the Authority adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

**INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2013**

This report offers readers of the financial statements of the Industrial Development Authority of Pulaski County, Virginia (IDA) with a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. 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 Position* (Exhibit 1) presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Position* (Exhibit 2) presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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 Position* statement in that it accounts only for transactions that result in cash receipts and cash disbursements.

The *Notes to Financial Statements* beginning on page 10 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 2012-13 HIGHLIGHTS

1. As noted in Exhibit 1, the total assets of the IDA exceeded its total liabilities by \$17,256,168 (net position) as of June 30, 2013.
2. As reported in Exhibit 2, the total net position of the IDA decreased by \$253,108 from \$17,509,276, as restated in fiscal year 2011-2012 to \$17,256,168 in fiscal year 2012-2013.
3. Operating revenues in Exhibit 2 of \$1,185,266 primarily consisted of building rental fees, loan payments, Governor's Opportunity Funds.
4. Operating expenditures in Exhibit 2 of \$1,556,043 include property maintenance, insurance, utilities, depreciation, and Governor's Opportunity expenses.
5. From the cash perspective (described in Exhibit 3), IDA cash flows provided from operations, non-capital financing activities and investing activities totaled \$2,173,256 prior to being offset by \$1,130,458 in cash flows used in capital and related financing activities providing a \$2,186,357 increase in the IDA's net cash during fiscal year 2012-13.

6. The IDA continued to renovate the Maple Shade Plaza where there are currently 3 businesses/retail shops leasing space. During FY 2013, the Registrar and joint County and Schools Information Technology department renovations were completed in fiscal year 2013. During FY 2014, the IDA will continue to make improvements to the parking lot and expand space for one of the current businesses.
7. During the fiscal year 2013, 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.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity's financial position. The Industrial Development Authority of Pulaski County, Virginia serves as an economic development facilitator and as a

leaser or seller of industrial property for the County of Pulaski, Virginia. 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

The following table provides a summary comparison of the change net position for the 2011-12 and 2012-13 fiscal years:

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Operating revenues	\$ 1,140,101	\$ 1,185,266
Operating expenses	(731,274)	(1,556,043)
Income from Operations	\$ 408,827	\$ (370,777)
Non-operating revenues	\$ 6,827,298	\$ 884,070
Non-operating expenses	(470,616)	(766,401)
Non-operating Income (expenses)	\$ 6,356,682	\$ 117,669
Change in Net Position	\$ 6,765,509	\$ (253,108)

As noted in the above table, the 2012-13 fiscal year resulted in a decrease in Net Position in the amount of \$253,108. Operating revenues experienced an insignificant increase while operating expenses increased by \$824,769.

CAPITAL ASSETS

The Authority had capital assets (net of accumulated depreciation) totaling \$9,932,544 and \$12,033,206 for fiscal years 2012 and 2013, 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 4 to the Financial Statements.

DEBT ADMINISTRATION

At the end of the fiscal year ending June 30, 2013 the Authority had long-term debt of \$17,809,025 with \$1,417,000 due during the next fiscal year. More detailed information about the Authority's indebtedness, including annual debt service requirements, is presented in Note 6 to the financial statements.

As in prior years, the largest portion of the Authority's liabilities consisted of debt on the Bob White (formerly Renfro) building located on Bob White Boulevard (June 30, 2013 balance of \$1,590,233), Phoenix Packaging Expansion Loan (June 30, 2013 balance of \$3,374,878), a lease revenue note for Riverlawn Elementary School totaling \$5,536,188, and Commerce Park debt added in FY 2013 in the amount of \$6,810,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The condition of the economy and the state of private-sector investment continue to be major factors in determining the Authority's activity level. Another primary factor is the competitive nature of economic development and the need for the County to invest in the incentives required to successfully locate significant projects such as James Hardie Building Products and Phoenix Packaging within the County. Finally, it is anticipated that the collection of rent and utility payments due to the IDA for the lease of the Bob White building will continue to increase as the County continues to increase efforts to rent additional space at this facility. The County Economic Development office continually strives to lease or sell all industrial space owned by the Industrial Development Authority.

REQUESTS FOR INFORMATION

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)

Statement of Net Position
June 30, 2013

Assets:	
Accounts receivable	\$ 14,458
Interest receivable	106,396
Rent receivable	52,957
Capital lease receivables-current portion	394,784
Notes receivable-current portion	<u>365,661</u>
Total Current Assets	\$ <u>934,256</u>
<i>Restricted Current Assets:</i>	
Cash held for Virginia's First IFA	\$ <u>2,186,357</u>
Total Current Assets	\$ <u>3,120,613</u>
<i>Noncurrent Assets:</i>	
Capital lease receivables-long-term portion	\$ 7,151,417
Notes receivable-long-term portion	12,951,362
Capital assets	15,407,567
Accumulated depreciation	<u>(3,374,361)</u>
Total Non-current Assets	\$ <u>32,135,985</u>
Total Assets	\$ <u>35,256,598</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts payable	\$ 85,009
Interest payable	106,396
Notes payable-current portion	399,022
Lease revenue notes-current portion	297,412
Bonds payable-current portion	<u>296,463</u>
Total Current Liabilities	\$ <u>1,184,302</u>
<i>Noncurrent Liabilities:</i>	
Notes payable-long-term portion	\$ 9,775,724
Lease revenue notes-long-term portion	5,238,776
Bonds payable-long-term portion	1,293,770
Due to Pulaski County-long-term portion	<u>507,858</u>
Total Noncurrent Liabilities	\$ <u>16,816,128</u>
Total Liabilities	\$ <u>18,000,430</u>
Net Position:	
Net investment in capital assets	\$ 10,442,973
Unrestricted	<u>6,813,195</u>
Total Net Position	\$ <u>17,256,168</u>

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)

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues:	
Lease/rental fees	\$ 537,953
Loan payments	348,618
Microenterprise grant	225
Governor's opportunity fund	250,000
Miscellaneous	<u>48,470</u>
Total operating revenues	\$ <u>1,185,266</u>
Operating Expenses:	
Board compensation	\$ 1,600
Materials and maintenance	156,544
Contractual services	186,457
Insurance	31,732
Utilities	371,951
Revenue refunds	4,290
Microenterprise grant	15,176
Governor's opportunity grant	479,339
Equipment	6,600
Miscellaneous	3,400
Depreciation	<u>298,954</u>
Total operating expenses	\$ <u>1,556,043</u>
Operating Income (Loss)	\$ <u>(370,777)</u>
Nonoperating Revenues (Expenses):	
Gain (loss) on sale of property	\$ 7,155
Interest on notes receivable	13,101
Bad debt expense	(215,008)
Contributions from County	540,140
Recovered costs	323,674
Interest expense	<u>(551,393)</u>
Total nonoperating revenues (expenses)	\$ <u>117,669</u>
Change in net position	\$ <u>(253,108)</u>
Net Position, beginning of year	\$ <u>17,509,276</u>
Net Position, end of year	\$ <u>17,256,168</u>

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)

Statement of Cash Flows
June 30, 2013

Cash flows from operating activities:	
Cash received from lessees	\$ 500,504
Cash received from others	697,397
Cash paid to suppliers for goods and services	<u>(1,237,126)</u>
Net cash provided by (used for) operating activities	\$ <u>(39,225)</u>
Cash flows from noncapital financing activities:	
Issuance of indebtedness	\$ 6,799,868
Contribution from Pulaski County	540,140
Notes receivable issued	(18,172)
Payments received on notes receivable	1,087,770
Recovered costs	323,674
Retirement of indebtedness	(2,482,204)
Interest and loan cost paid on debt	(555,542)
Note receivable issued	<u>(4,613,511)</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>1,082,023</u>
Cash flows from capital and related financing activities:	
Proceeds (loss) from sale of capital assets	\$ 7,155
Purchase of capital assets	(2,399,616)
Issuance of indebtedness	<u>3,522,919</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>1,130,458</u>
Cash flows from investing activities:	
Interest income	\$ <u>13,101</u>
Increase (decrease) in cash and cash equivalents	\$ <u>2,186,357</u>
Cash and cash equivalents at beginning of year	\$ <u>-</u>
Cash cash equivalents at end of year (included \$2,186,357 restricted cash)	\$ <u>2,186,357</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided by

(Used for) Operating Activities

Operating income (loss)	\$ <u>(370,777)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation/amortization	\$ 298,954
Decrease (increase) in receivables	<u>12,625</u>

Increase (decrease) in accounts payable 19,963

Net cash provided by (used for) operating activities \$ (39,225)

The following table reconciles the financial statements and is an integral part of this statement.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Financial Statements
At June 30, 2013

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 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. Financial Reporting Entity

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2013

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 does not have any deferred outflows of resources as of June 30, 2013.

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

F. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Authority implemented the financial reporting provisions of the above statement for the fiscal year ended June 30, 2013. This statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2013

NOTE 3-DEPOSITS AND INVESTMENTS:

Deposits

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
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Notes to Financial Statements (Continued)
At June 30, 2013

NOTE 4-CAPITAL ASSETS (Continued):

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, 2013, no interest paid was capitalized and added to the cost of depreciable buildings and improvements.

NOTE 5-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.

NOTE 6- LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Revenue bonds	\$ 3,366,575	\$ -	\$ (1,776,342)	\$ 1,590,233
Note payable	-	10,332,919	(148,041)	10,184,878
Lease revenue note	5,815,409	-	(540,409)	5,275,000
Unamortized bond discounts	-	(10,132)	-	(10,132)
Unamortized bond premiums	278,600	-	(17,412)	261,188
Total	<u>\$ 9,460,584</u>	<u>\$ 10,322,787</u>	<u>\$ (2,482,204)</u>	<u>\$ 17,301,167</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2013

NOTE 6-LONG-TERM OBLIGATIONS: (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bonds		Notes Payable		Lease Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 296,463	\$ 63,926	\$ 399,412	\$ 439,711	\$ 280,000	\$ 253,813
2015	309,743	50,646	398,079	438,749	290,000	243,313
2016	323,521	36,868	412,190	427,344	300,000	231,712
2017	338,111	22,278	421,767	414,426	310,000	219,712
2018	322,395	7,961	436,834	399,917	325,000	207,313
2019-2023	-	-	2,464,152	1,724,529	1,890,000	765,400
2024-2028	-	-	2,757,444	1,123,360	1,880,000	240,750
2029-2033	-	-	1,110,000	664,888	-	-
2034-2038	-	-	1,450,000	331,906	-	-
2039	-	-	335,000	18,006	-	-
Totals	<u>\$ 1,590,233</u>	<u>\$ 181,679</u>	<u>\$ 10,184,878</u>	<u>\$ 5,982,836</u>	<u>\$ 5,275,000</u>	<u>\$ 2,162,013</u>

Details of long-term indebtedness:

	Interest Rate(s)	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
Revenue Bonds:						
Bobwhite Blvd. Bldg.	5.12%	6/6/2003	2018	\$ 3,882,000	\$ 1,590,233	\$ 296,463
Total Revenue Bonds					\$ 1,590,233	\$ 296,463
Notes Payable:						
Commerce Park	0.77-5.38%	6/27/2013	2039	\$ 681,000	\$ 6,810,000	\$ 230,000
Unamortized Discount	n/a	6/27/2013	2039	(10,132)	(10,132)	(390)
NBB Loan	5.00%	7/30/2012	2028	3,522,919	3,374,878	169,412
Total Notes Payable					\$ 10,174,746	\$ 399,022
Lease Revenue Note:						
Riverlawn Elem. School	3.5-5.25%	2/8/2007	2027	\$ 14,000,000	\$ 5,275,000	\$ 280,000
Unamortized Bond Premium	n/a	2/8/2007	2027	348,248	261,188	17,412
Total Lease Revenue Note					\$ 5,536,188	\$ 297,412
Total					\$ 17,301,167	\$ 992,897

NOTE 7-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. \$7,858 additional was contributed in 2012.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2013

NOTE 8-NOTES RECEIVABLE:

At June 30, 2013, the Authority had the following notes receivable:

<u>Due From</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Principal Outstanding</u>
Pulaski County	2027	3.5-5.25%	\$ 5,536,188
Phoenix Packaging	2025	3.00%	597,914
Phoenix Packaging	2016	4.00%	2,488,267
Titan Wildlife	2016	5.00%	16,918
Grasshopper Lawn Care	2017	5.00%	18,508
Michael Lutz	2017	5.00%	12,473
Fix Em Up Home Repair	2017	5.00%	11,921
Main Street Café	2013	15.00%	549
Commerce Park	2039	0.77% - 5.38%	4,613,510
Old Dominion Auction Co.	2018	5.00%	20,775
Total			<u>\$ 13,317,023</u>

NOTE 9-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 10-CAPITAL LEASE RECEIVABLES:

<u>Due From</u>	<u>Balance Outstanding</u>	<u>Amount Due Within One Year</u>
Phoenix Packaging Operations, LLC (1)	\$ 2,968,520	\$ 217,184
Phoenix Packaging Operations, LLC (1)	2,327,681	177,600
Phoenix Packaging Operations, LLC (2)	2,250,000	-
Total	<u>\$ 7,546,201</u>	<u>\$ 394,784</u>

- (1) 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.
- (2) A lease purchase agreement was entered into with Phoenix Packaging Operations, LLC for the purchase of the "Dove Building and Land" at 4914 Lambert Place, Pulaski, Virginia. Phoenix Packaging Operations, LLC is required to make payments based on an agreed upon schedule until 2029.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF PULASKI COUNTY, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2013

NOTE 11-LITIGATION:

As of June 30, 2013, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should a court decision on pending matters not be favorable.

NOTE 12-UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Authority has not determined the impact of this pronouncement on its financial statements.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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
Industrial Development Authority of Pulaski County, Virginia
Pulaski, 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 Industrial Development Authority of Pulaski County, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Industrial Development Authority of Pulaski County, Virginia's basic financial statements and have issued our report thereon dated July 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Pulaski County, Virginia'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 Industrial Development Authority of Pulaski County's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Pulaski County, Virginia's internal control.

Our consideration of internal control was for the limited purpose described the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. [Reference 2013-1]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Authority of Pulaski County, Virginia'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.

Blacksburg, Virginia
July 15, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

2013-1

Criteria: Per Statement on Auditing Standards 115, 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 the auditee's internal controls.

Condition: The Authority's 2013 adjusted trial balance required a significant adjusting entry that were made by the auditors.

Cause: The Authority had an unusual accounting transaction that occurred during the fiscal year for which the appropriate adjustment had not been made prior to the Authority's audit.

Effect: There is more than a remote likelihood that a material misstatement of the