

**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**OF PULASKI COUNTY, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2006**

**INDUSTRIAL DEVELOPMENT AUTHORITY**

**OF PULASKI COUNTY, VIRGINIA**

**FINANCIAL REPORT**

**Year Ended June 30, 2006**

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# ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

## INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS  
INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY  
PULASKI, VIRGINIA**

We have audited the accompanying financial statements of the business-type activities of the Industrial Development Authority of Pulaski County, Virginia, a component unit of the County of Pulaski, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pulaski County Industrial Development Authority's basic financial statements.

*Robinson, Turner, Co. Associates*

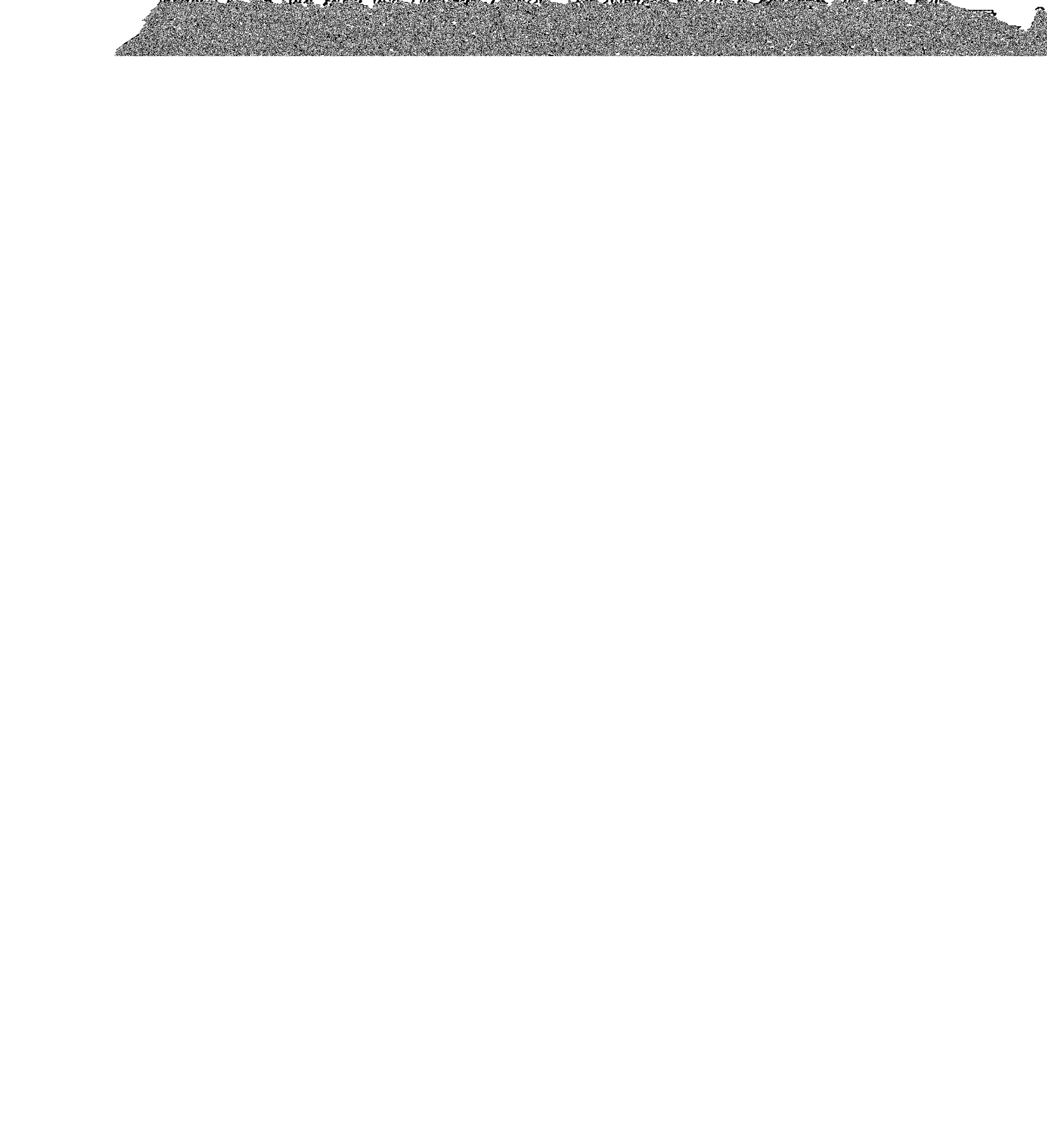
Christiansburg, Virginia

September 29, 2006

**INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2006**

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

## FY 2005-06 HIGHLIGHTS

- The IDA achieved the designation of the Bob White Building as the first activated foreign trade zone location in the New River and Roanoke Valleys. This initiative served to increase the value and
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As noted below and in Exhibit 2, this change in net assets resulted from overall (operating and non-operating) revenues exceeding expenses.

	<u>FY 2004-05</u>	<u>FY 2005-06</u>
Operating revenues	\$ 1,021,836	\$ 1,964,138
Operating expenses	(694,288)	(1,333,754)
Income from Operations	\$ 327,548	\$ 630,384
Non-operating revenues	\$ 2,868	\$ 498,072
Non-operating expenses	(213,930)	(220,286)
Non-operating Income (expenses)	\$ (211,062)	\$ 277,786
Change in Net Assets	\$ 116,486	\$ 908,170

As noted in the above table, the 2005-06 fiscal year resulted in a significantly better financial outcome than did the 2004-05 fiscal year largely due to the sale of land and increased utilization of the IDA owned buildings.

## **CAPITAL ASSETS**

The Authority had capital assets (net of accumulated depreciation) totaling \$5,089,781 and \$5,470,880 for 2006 and 2005, respectively. These assets consisted of the ownership of the Bob White Building, the Pulaski County Shell Building, and undeveloped portions of the Pulaski County Corporate Center and the New River Industrial Park.

## **DEBT ADMINISTRATION**

The largest portion of the Authority's liabilities consisted of debt on the former Renfro (now Bob White) building located on Bob White Boulevard (June 30, 2006 balance of \$3,307,024) and a loan made in December 2005 to Findlay Industries for the purpose of completing and expanding into the former shell building in the Pulaski County Corporate Center (June 30, 2006 balance of \$2,459,179).

At the end of the fiscal year ending June 30, 2006, the Authority had long-term debt of \$5,755,203 versus \$4,152,217 at the end of the previous fiscal year. More detailed information about the Authority's indebtedness, including annual debt service requirements, is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The general condition of the economy and the state of private-sector investment are expected 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 the James Hardie Building Products and Findlay Industries expansion.



The assets of the IDA are anticipated to grow in the 2006-07 fiscal year as the result of continued collection of rent and utility payments due the IDA for the lease of the Bob White building, and the anticipated recovery of previous expenditures in the sale of approximately 15 acres to New River Community College.

### **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 the County Administrator, Pulaski County, Virginia, 143 Third Street, Pulaski, VA 24301.

## **BASIC FINANCIAL STATEMENTS**

## INDUSTRIAL DEVELOPMENT AUTHORITY OF COUNTY OF PULASKI, VIRGINIA

Statement of Net Assets  
At June 30, 2006

ASSETS	
Unrestricted Current Assets:	
Cash and cash equivalents	\$ 1,384,459
Notes Receivable	2,560,937
Accounts Receivable	45,844
Accrued Rent Receivable	20,352
	<u>                    </u>
Total unrestricted current assets	<u>\$ 4,011,592</u>
Noncurrent Assets:	
Capital Assets:	
Property, plant and equipment	\$ 6,916,726
Less allowance for depreciation	(1,826,945)
	<u>                    </u>
Total capital assets	<u>\$ 5,089,781</u>
Total noncurrent assets	<u>\$ 5,089,781</u>
Total assets	<u>\$ 9,101,373</u>
LIABILITIES AND EQUITY	
Liabilities:	
Current liabilities:	
Notes payable, current portion	\$ 400,343
Interest payable	13,706
Due to County of Pulaski, Virginia	500,000
	<u>                    </u>
Total current liabilities	<u>\$ 914,049</u>
Non-current liabilities:	
Notes payable, long-term portion	<u>\$ 5,365,860</u>
Total liabilities	<u>\$ 6,279,909</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 1,823,578
Unrestricted	997,886
	<u>                    </u>
Total net assets	<u>\$ 2,821,464</u>

## INDUSTRIAL DEVELOPMENT AUTHORITY OF COUNTY OF PULASKI, VIRGINIA

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2006

Operating Revenues:	
Lease/Rental Fees	\$ 19,739
Local Contributions	411,291
Sale of Property	23,661
Reimbursement from County	<u>1,509,447</u>
 Total operating revenues	 <u>\$ 1,964,138</u>
Expenses:	
Board Compensation	\$ 4,050
James Hardi Project Contribution	90,000
Contractual Services	75,547
Local Industry Assistance	832,891
Utilities	125,963
Miscellaneous	54,303
Depreciation	<u>151,000</u>
 Total operating expenses	 <u>\$ 1,333,754</u>
 Operating income (loss)	 <u>\$ 630,384</u>
Nonoperating Revenues (Expenses):	
Interest income	\$ 31,132
Interest on debt	(220,286)
Gain on Sale of Property	<u>466,940</u>
 Total nonoperating income (expenses)	 <u>\$ 277,786</u>
 Income before contributions	 <u>\$ 908,170</u>
 Change in net assets	 \$ 908,170
 Net assets, beginning of year, as restated	 <u>1,913,294</u>
 Net assets, end of year	 <u><u>\$ 2,821,464</u></u>

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

## INDUSTRIAL DEVELOPMENT AUTHORITY OF COUNTY OF PULASKI, VIRGINIA

**Statement of Cash Flows**  
**Year Ended June 30, 2006**

Operating activities:	
Receipts from lessees	\$ 19,739
Receipts from others	1,898,555
Payments to suppliers	<u>(1,182,754)</u>
Net cash provided by operating activities	<u>\$ 735,540</u>
Capital and related financing activities:	
Cash received from sale of capital assets	\$ 105,000
Proceeds from indebtedness	2,500,000
Notes receivable issued	(1,959,718)
Payments received on notes receivable	90,821
Principal payments on indebtedness	(886,014)
Interest payments on indebtedness	<u>(207,482)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (357,393)</u>
Investing activities:	
Interest received	<u>\$ 31,132</u>
Net cash provided by (used in) investing activities	<u>\$ 31,132</u>
Increase (decrease) in cash and cash equivalents	\$ 409,279
Cash and cash equivalents at beginning of year	<u>975,180</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,384,459</u></u>
<b>Reconciliation of operating income to net cash provided</b>	
<b>(used) by operating activities:</b>	
Operating income	\$ 630,384
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	<u>(45,844)</u>
Net cash provided by operating activities	<u><u>\$ 735,540</u></u>
Supplemental disclosure required:	
Interest paid during the year on indebtedness	<u>\$ 207,482</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 (Continued)

As of June 30, 2006

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



INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2006

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

B. Basic Financial Statements (Continued)

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 (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).

Investments of the Authority are part of the County's pooled investments. GASB 40 disclosures can be found in the County's June 30, 2006 Financial Report.

**NOTE 3—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, 2006

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**NOTE 4—PROPERTY, PLANT, AND EQUIPMENT:**

The Authority leases manufacturing facilities. The assets have been recorded at cost. The buildings and



INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2006

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**NOTE 6—LONG TERM DEBT:** (Continued)

Changes in long term debt:

Balance outstanding July 1, 2005	\$ 4,152,217
Issuances:	
Revenue bond	2,500,000
Retirements:	
Revenue bond	<u>(886,014)</u>
Balance outstanding June 30, 2006	\$ 5,766,203

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

## COMPLIANCE

# ROBINSON, FARMER, COX ASSOCIATES

Certified 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 BOARD OF DIRECTORS  
INDUSTRIAL DEVELOPMENT AUTHORITY OF PULASKI COUNTY  
PULASKI, VIRGINIA

We have audited the financial statements of the business-type activities of the Industrial Development Authority of Pulaski County, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *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*

In planning and performing our audit, we considered the Industrial Development Authority of Pulaski County, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Industrial Development Authority of Pulaski County, Virginia'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Christiansburg, Virginia  
September 29, 2006