

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

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025**

**Economic Development Authority of County of Pulaski, Virginia
Financial Report
Year Ended June 30, 2025**

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Net Position.....	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6-17

COMPLIANCE SECTION

Compliance:

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 <i>Government Auditing Standards</i>	18-19
Schedule of Findings and Responses	20
Summary Schedule of Prior Audit Findings.....	21

FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of
Economic Development Authority of Pulaski County, Virginia
Pulaski, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Economic Development Authority of Pulaski County, Virginia, component unit of Pulaski County, Virginia as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of Pulaski County, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Economic Development Authority of Pulaski County, Virginia, as of June 30, 2025, and the 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Economic Development Authority of Pulaski County, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Development Authority of Pulaski County, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the

Specifications for Audits of Authorities, Boards, and Commissions will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Economic Development Authority of Pulaski County, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Economic Development Authority of Pulaski County, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2026, on our consideration of Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting and compliance.

Robinson Jarmon, Cox, Associates

Blacksburg, Virginia
April 7, 2026

ECONOMIC DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)

Statement of Net Position
At June 30, 2025

Assets:	
<i>Current Assets:</i>	
Cash and cash equivalents	\$ 693,535
Accounts receivable	19,565
Interest receivable	98,804
Rent receivable	374,943
Prepaid expenses	29,569
Leases receivable-current portion	283,487
Notes receivable-current portion	2,612,096
 <i>Restricted Current Assets:</i>	
Cash held for Virginia's First IFA	529,853
Cash and cash equivalents - tenant deposits	19,146
Cash and cash equivalents - debt reserves	10,801,874
Total Restricted Current Assets	\$ 11,350,873
Total Current Assets	\$ 15,462,872
 <i>Noncurrent Assets:</i>	
Leases receivable-long-term portion	\$ 487,497
Notes receivable-long-term portion	32,915,638
Capital assets, not being depreciated	2,760,552
Capital assets, net of accumulated depreciation	15,169,913
Total Capital Assets	\$ 17,930,465
Total Noncurrent Assets	\$ 51,333,600
Total Assets	\$ 66,796,472
 Liabilities:	
<i>Current Liabilities:</i>	
Accounts payable	\$ 56,857
Interest payable	17,532
Unearned revenue	16,686
Tenant deposits	19,146
Due to Virginia's First IFA	529,853
Due to Pulaski County	214,298
Notes payable-current portion	363,344
Revenue bonds payable-current portion	1,753,493
Bonds payable-current portion	310,700
Loans payable-current portion	157,044
Total Current Liabilities	\$ 3,438,953
 <i>Noncurrent Liabilities:</i>	
Notes payable-noncurrent portion	\$ 4,768,840
Revenue bonds payable-noncurrent portion	28,366,806
Bonds payable-noncurrent portion	643,900
Loans payable-noncurrent portion	3,823,048
Total Noncurrent Liabilities	\$ 37,602,594
Total Liabilities	\$ 41,041,547
 Deferred Inflows of Resources:	
Lease related	\$ 734,480
 Net Position:	
Net investment in capital assets	\$ 13,243,102
Unrestricted	11,777,343
Total Net Position	\$ 25,020,445

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

ECONOMIC DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2025

Operating Revenues:	
Lease/rental fees	\$ 1,615,181
Recovered costs	1,512,984
Total operating revenues	\$ <u>3,128,165</u>
Operating Expenses:	
Salaries and wages	\$ 3,983
Materials and maintenance	105,055
Contractual services	90,315
Insurance	104,183
Tax grants and rebates	300,000
Utilities	827,180
Marketing and promotion	138,186
Miscellaneous	140,280
Bad debt expense	12,152
Contribution to industry - loan forgiveness	24,783
Depreciation	740,144
Total operating expenses	\$ <u>2,486,261</u>
Operating Income (Loss)	\$ <u>641,904</u>
Nonoperating Revenues and (Expenses):	
Gain (loss) on sale of property	\$ 43,741
Interest income	34,265
Interest income from leases	35,541
Contributions from (to) County	11,883,027
Miscellaneous	135,697
Bond issuance costs	(417,751)
Interest expense	(1,692,264)
Total nonoperating revenues and (expenses)	\$ <u>10,022,256</u>
Change in net position	\$ 10,664,160
Net Position, beginning of year	14,356,285
Net Position, end of year	\$ <u><u>25,020,445</u></u>

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

ECONOMIC DEVELOPMENT AUTHORITY OF PULASKI COUNTY, VIRGINIA
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)

Statement of Cash Flows
Year Ended June 30, 2025

Cash flows from operating activities:	
Cash received from lessees	\$ 1,594,415
Cash received from others	1,648,681
Cash paid to and for employees	(3,983)
Cash paid to suppliers for goods and services	(1,687,211)
Net cash provided by (used for) operating activities	\$ 1,551,902
Cash flows from noncapital financing activities:	
Contribution from Pulaski County	\$ 11,847,325
Payments received on notes receivable	2,418,573
Bond issuance costs	(417,751)
Retirement of indebtedness	(1,877,579)
Interest and loan costs paid on debt	(1,424,841)
State and federal grants	505
Net cash provided by (used for) noncapital financing activities	\$ 10,546,232
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	\$ 400,000
Purchase of capital assets	(797,449)
Retirement of indebtedness	(146,235)
Interest and loan costs paid on debt	(261,829)
Net cash provided by (used for) capital and related financing activities	\$ (805,513)
Cash flows from investing activities:	
Interest income	\$ 31,073
Interest income from leases receivable	35,541
Net cash provided (used) by investing activities	\$ 66,614
Increase (decrease) in cash and cash equivalents	\$ 11,359,235
Cash and cash equivalents at beginning of year (including \$552,062 restricted cash)	685,173
Cash cash equivalents at end of year (including \$11,350,873 restricted cash)	\$ 12,044,408
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating income (loss)	\$ 641,904
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	740,144
Contribution to industry - loan forgiveness	24,783
Miscellaneous income	135,697
(Increase) decrease in accounts receivable	3,271
(Increase) decrease in interest receivables	237,372
(Increase) decrease in rent receivables	(239,709)
(Increase) decrease in prepaid expenses	(696)
(Increase) decrease in lease receivable	265,183
Increase (decrease) in unearned revenue	246
Increase (decrease) in operating accounts payable	18,684
Increase (decrease) in tenant deposits	129
Increase (decrease) in deferred inflows of resources	(275,106)
Net cash provided by (used for) operating activities	\$ 1,551,902
Noncash investing, capital, and financing activities:	
Noncash loan forgiveness	\$ 24,783

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

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements
At June 30, 2025

NOTE 1-ORGANIZATION, DESCRIPTION OF THE ENTITY:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present Economic Development Authority of Pulaski, Virginia, a component unit of Pulaski, Virginia.

The Economic Development Authority of Pulaski, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the 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 conformance with the principles of the Governmental Accounting Standards Board, the Economic 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 bondholders. The Authority has assigned all rights to the rental payments to the trustees of the bondholders 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.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

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

B. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

C. Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. No allowance was considered necessary as of June 30, 2025.

D. Unearned Revenue

Contributions are recognized as income of the Authority when the activities for which the contributions were designated have been completed. Rent payments received in advance are reported as unearned revenue.

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets 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, 2025.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category which is related to leases. For more detailed information on this item, reference the lease note.

F. Leases

The Authority leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessor

The Authority recognizes leases receivable and deferred inflows of resources in the financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

F. Leases (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable.

The Authority monitors changes in circumstances that would require a remeasurement or modification of its leases. The Authority will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of lease receivable.

Short-term leases

The Authority has numerous lease agreements that have a term of one year or less or include cancellation options for each party. Accordingly, the agreements do not qualify for reporting as a lease receivable. As such, revenue is reported as earned and any amounts due at year-end are reported as rent receivable.

G. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

H. Revenue and Expense Classifications

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 lease/rental fees and recovered costs.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including interest income, contributions from the County, miscellaneous revenues, and other revenue sources that are defined as nonoperating revenues.

Nonoperating expenses include interest on debt, losses on the disposal of capital assets, losses on lease cancellations. All other expenses are classified as operating expenses.

I. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$20,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Buildings and improvements	20-40
Machinery and equipment	4-30

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

**PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025**

NOTE 3-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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). The Authority does not have an investment policy.

The Authority’s rated debt investments at June 30, 2025 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale.

Authority’s Rated Debt Investment Value	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
Money Market Mutual Fund	\$ 529,853
SNAP	10,801,874

Custodial Credit Risk

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Mutual funds are not considered to have custodial credit risk. The Authority invests only in those investments authorized by the *Code of Virginia*. All investments are registered in the name of the government and therefore not subject to custodial credit risk.

Concentration of Credit Risk

If certain investments in any one issuer represent 5 percent of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Therefore, the Authority does not have any investments for this disclosure requirement.

Interest Rate Risk

The Authority manages its exposure to declines in fair values by limiting the maturity of its investments.

<u>Investment Type</u>	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>< 1 year</u>
SNAP	\$ 10,801,874	\$ 10,801,874

**PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
 (A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
 Notes to Financial Statements (Continued)
 At June 30, 2025**

NOTE 3-DEPOSITS AND INVESTMENTS: (Continued)

External Investment Pool

The value of the positions in the external investment pool (State Non-Arbitrage Pool) is the same as the value of the pool shares. As SNAP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. SNAP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NOTE 4-FAIR VALUE MEASUREMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Authority maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Authority has the following recurring fair value measurements as of June 30, 2025:

	<u>Fair Value</u>	<u>Level 1</u>
Money Market Mutual Fund	<u>\$ 529,853</u>	<u>\$ 529,853</u>

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025

NOTE 5-CAPITAL ASSETS:

A summary of changes in capital assets is presented as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 2,249,364	\$ -	\$ (131,771)	\$ 2,117,593
Construction in progress	72,000	570,959	-	642,959
Total capital assets not being depreciated	<u>\$ 2,321,364</u>	<u>\$ 570,959</u>	<u>\$ (131,771)</u>	<u>\$ 2,760,552</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 32,865,714	\$ 226,490	\$ (2,645,454)	\$ 30,446,750
Machinery and equipment	466,181	-	-	466,181
Total capital assets being depreciated	<u>\$ 33,331,895</u>	<u>\$ 226,490</u>	<u>\$ (2,645,454)</u>	<u>\$ 30,912,931</u>
Accumulated depreciation:				
Buildings and improvements	\$ (17,101,916)	\$ (702,260)	\$ 2,420,966	\$ (15,383,210)
Machinery and equipment	(321,924)	(37,884)	-	(359,808)
Total accumulated depreciation	<u>\$ (17,423,840)</u>	<u>\$ (740,144)</u>	<u>\$ 2,420,966</u>	<u>\$ (15,743,018)</u>
Total capital assets being depreciated, net	<u>\$ 15,908,055</u>	<u>\$ (513,654)</u>	<u>\$ (224,488)</u>	<u>\$ 15,169,913</u>
Business-Type Activities capital assets, net	<u><u>\$ 18,229,419</u></u>	<u><u>\$ 57,305</u></u>	<u><u>\$ (356,259)</u></u>	<u><u>\$ 17,930,465</u></u>

NOTE 6-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 7- LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2025:

	Beginning Balance	Issuances	Retirements	Ending Balance
Direct Borrowings and Placements:				
Revenue bonds	\$ 16,010,325	\$ 10,750,000	\$ (949,199)	\$ 25,811,126
Unamortized bond premiums	-	469,625	-	469,625
Notes payable	5,481,306	-	(349,122)	5,132,184
Bonds payable	1,258,000	-	(303,400)	954,600
Loans payable	4,107,185	-	(127,093)	3,980,092
Revenue bonds	4,140,000	-	(295,000)	3,845,000
Unamortized bond discounts	(5,842)	-	390	(5,452)
Total	<u><u>\$ 30,990,974</u></u>	<u><u>\$ 11,219,625</u></u>	<u><u>\$ (2,023,424)</u></u>	<u><u>\$ 40,187,175</u></u>

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025

NOTE 7- LONG-TERM OBLIGATIONS: (Continued)

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

Year Ending June 30,	Direct Borrowings and Placements		Principal	Interest
	Principal	Interest		
2026	\$ 2,216,155	\$ 1,839,931	\$ 305,000	\$ 199,097
2027	2,281,831	1,772,597	315,000	185,604
2028	2,356,763	1,652,542	330,000	171,195
2029	3,376,841	1,523,806	200,000	155,606
2030	3,345,063	1,346,571	210,000	144,856
2031-2035	13,994,494	4,460,051	1,235,000	542,338
2036-2040	4,252,963	1,467,755	1,250,000	171,999
2041-2045	4,053,892	431,683	-	-
Totals	\$ 35,878,002	\$ 14,494,936	\$ 3,845,000	\$ 1,570,695

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PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025

NOTE 7- LONG-TERM OBLIGATIONS: (Continued)

Details of long-term obligations:

	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Business-Type Activities</u>	<u>Due Within One Year</u>
Direct Borrowings and Placements:						
Revenue Bonds:						
2018B - \$10M Phoenix Packaging	5.25% (A)	5/30/2018	2035	\$ 10,000,000	\$ 7,605,429	\$ 494,391
2018C - \$6M Phoenix Packaging	5.25% (A)	5/30/2018	2035	6,000,000	4,563,243	296,638
2018A - \$4M Phoenix Packaging	5.25% (B)	5/30/2018	2035	4,000,000	2,892,454	229,038
Sportsplex	4.50-5.00%	6/4/2025	2045	10,750,000	10,750,000	365,000
Unamortized Premium	n/a	6/4/2025	2045	469,625	469,625	63,816
Total Revenue Bonds					\$ 26,280,751	\$ 1,448,883
Notes Payable:						
Hiwassee FD	2.47%	12/6/2013	2027	\$ 293,900	\$ 59,541	\$ 29,403
VSBFA PADS Loan	2.44%	6/28/2016	2026	175,000	36,288	19,028
VSBFA Koinonia Loan	4.12%	7/2/2019	2030	2,000,000	1,714,170	77,601
First Bank Koinonia	5.35%	7/1/2019	2040	1,565,000	1,291,577	49,244
Phoenix Packaging - VSBFA	4.12%	5/13/2019	2029	2,000,000	1,422,627	122,591
VSBFA Phoenix Loan	4.12%	3/17/2020	2030	1,000,000	607,981	65,477
Total Notes Payable					\$ 5,132,184	\$ 363,344
Bonds Payable:						
Dublin Elem. School	2.37%	10/1/2015	2028	\$ 3,443,000	\$ 954,600	\$ 310,700
Loans Payable:						
Innovation Center Loan Payable	(C)	6/30/2022	2042	\$ 2,600,000	\$ 2,298,476	\$ 107,477
VSBFA Roof Replacement	5.50%	6/21/2024	2034	1,705,240	1,681,616	49,567
Total Loans Payable					\$ 3,980,092	\$ 157,044
Total Direct Borrowings and Placements					\$ 36,347,627	\$ 2,279,971
Revenue Bonds:						
Commerce Park Refinance	0.77-5.38%	6/27/2013	2039	\$ 6,810,000	\$ 3,845,000	\$ 305,000
Unamortized Discount	n/a	6/27/2013	2039	(10,132)	(5,452)	(390)
Total Revenue Bonds					\$ 3,839,548	\$ 304,610
Total					\$ 40,187,175	\$ 2,584,581

(A) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.75%.

(B) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.875%.

(C) 2.83% fixed for the first 7 years then adjusted every 5 years thereafter. Will not change by more than 1.5% per change, nor by more than 2% over the life of the loan. The floor interest rate is 2.83%.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025

NOTE 7- LONG-TERM OBLIGATIONS: (Continued)

The direct bonds and notes payable are collateralized by the underlying real and personal property purchased using proceeds of the issuances. In the event of default, the issuer can declare the entire unpaid principal and interest balances due on direct borrowings and placements immediately due and payable.

The Innovation Center loan payable requires the establishment and funding of a debt reserve account equal to 10% of the annual payments until reserves are sufficient to cover one year of payments. The entity is considered to have sufficient funds on hand to meet the reserve requirements.

The VSBFA roof replacement loan payable is collateralized by the underlying property on which improvements are being made. In the event of default, the interest rate shall be increased by 5% so long as such default continues or is waived. Additionally, the balance shall become immediately due and payable and/or shall become payable at the default rate.

NOTE 8-DUE TO COUNTY OF PULASKI:

As of June 30, 2025, there is an amount due to the County of \$214,298 that relates to the note receivable issued to Bimmerworld. The amounts will be paid back to the Authority and passed through to the County upon receipt.

NOTE 9-NOTES RECEIVABLE:

At June 30, 2025, the Authority had the following notes receivable:

Due From	Fiscal Year Due	Interest Rate	Principal Outstanding	Amount Due Within One Year
Hiwasee Fire Department	2027	2.47%	\$ 59,541	\$ 29,403
Bimmerworld Loan	2031	5.13%	216,920	34,967
Phoenix - Loan 2018A	2035	(A)	2,910,838	227,733
Phoenix - Loan 2018B	2035	(B)	7,647,084	491,778
Phoenix - Loan 2018C	2035	(B)	4,588,236	295,070
Phoenix Packaging-VSBFA	2029	4.12%	1,432,856	122,591
Phoenix Packaging-VSBFA	2030	4.12%	623,937	65,030
Commerce Park	2040	0.00%	3,845,000	305,000
Pulaski County	2028	2.50-5.25%	954,600	310,700
Pulaski Adult Day Services	2026	2.44%	37,860	18,900
West Main Development #2	2024	4.00%	30,000	30,000
Falls Stamping	2036	5.00%	1,523,737	102,108
Phoenix Packaging Operations, LLC	2028	0.00%	437,500	150,000
Pulaski County - Sportsplex	2045	4.50-5.00%	11,219,625	428,816
Total			\$ 35,527,734	\$ 2,612,096

(A) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.875%.

(B) 5.25% for the first 5 years, adjustable in 5 year increments to the average yield US Treasury plus a margin of 2.75%.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025

NOTE 10-LEASES RECEIVABLE:

The following is a summary of lessor activity of the Authority for the year ended June 30, 2025:

	Beginning			Ending
	Balance	Issuances	Retirements	Balance
Leases receivable	\$ 1,036,167	\$ -	\$ (265,183)	\$ 770,984

Lease revenue recognized during the year totaled \$275,106.

Details of leases receivable are as follows:

Lease Description	Lease Origination Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Building lease 1	1/1/2020	2030	Monthly	2.00%	\$ 182,245	\$ 39,095
Building lease 2	10/31/2017	2028	Monthly	2.00%	51,976	21,979
Building lease 3	11/1/2020	2028	Monthly	2.00%	536,763	222,413
Total					\$ 770,984	\$ 283,487

There are no variable payments for any of the leases shown above.

NOTE 11-LITIGATION:

As of June 30, 2025, 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-SUBSEQUENT EVENTS:

On December 15, 2025, the Authority accepted the transfer of approximately 147 acres of real property located at 6749 Lee Highway, Fairlawn, Virginia, known as Pulaski County Motorsports Park, from the Pulaski County Board of Supervisors by deed. Effective January 20, 2026, the Authority entered into a two-year lease agreement with Pulaski County Dragway Investments, LLC, for the property. Under the terms of the lease, the Authority will receive total rent payments of \$2,400,000, structured as two equal installments of \$1,200,000, as well as a non-refundable option fee of \$50,000. The tenant holds an exclusive option to purchase the property for \$8,000,000 within 180 days following expiration of the lease term, with all rent payments and the option fee credited toward the purchase price. The financial impacts of these events are not included in these financial statements.

NOTE 13-UPCOMING PRONOUNCEMENTS:

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

PULASKI COUNTY ECONOMIC DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF PULASKI, VIRGINIA)
Notes to Financial Statements (Continued)
At June 30, 2025

NOTE 13-UPCOMING PRONOUNCEMENTS: (Continued)

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

COMPLIANCE SECTION



**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 Honorable Members of
Economic 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 Economic Development Authority of Pulaski County, Virginia, a component unit of Pulaski County, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Economic Development Authority of Pulaski County, Virginia's basic financial statements and have issued our report thereon dated April 7, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Economic Development Authority of Pulaski County, Virginia's internal control over financial reporting (internal control) as a basis for designing 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 Economic Development Authority of Pulaski County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Economic Development Authority of Pulaski County, Virginia's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Economic 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 financial statements.

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*.

Pulaski County Economic Development Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Economic Development Authority of Pulaski County, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Economic Development Authority of Pulaski County, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Robinson, Jarmon, Cox, Associates

Blacksburg, Virginia
April 7, 2026

Pulaski County Economic Development Authority

Schedule of Findings and Responses
Year Ended June 30, 2025

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

2025-001 Material Weakness

Criteria:	Per auditing standards, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal controls over financial reporting.
Cause:	The Authority does not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Recommendation:	The Authority should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The Authority will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Pulaski County Economic Development Authority

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

No findings in prior year.