

AT A MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON DECEMBER 14, 1995, AT 3:35 P.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101-C MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

1. ROLL CALL

The meeting was called to order by Chairman Nystrom at 3:35 p.m. A roll call by Secretary Taylor identified the following members present:

Mr. Gilbert Bartlett
Mr. Vincent Campana
Mr. Joe Cross
Mr. Sterling Nichols
Mr. Jon Nystrom

Late Arrivals

Mr. George Hudgins

ALSO PRESENT

Keith A. Taylor, Secretary, IDA
Jeane Trevino, Recording Secretary, IDA
Sandra Barner, Economic Development Technician
David B. Norman, County Administrator
John T.P. Horne, Development Management
Doug Powell, Assistant Manager, Community Services
Betty Pettengill, Treasurer
Heather Blum, OED Intern

1. PRESENTATION

New James City County Enterprise Zone

Mr. Doug Powell, Assistant Manager Community Services, gave an overview of the newly designated Enterprise Zone in James City County. The zone consists of 5.4 square miles located in the lower end of the County. Mr. Powell outlined the eligibility criteria for an enterprise zone designation and emphasized the fact that the County's zone area met all three of the application criteria, whereas it was only required to meet any one of the three to be eligible to apply for zone designation.

The zone was established to achieve three major goals:

1. To assist area resident in becoming self-sufficient by encouraging a variety of commercial and industrial development which provides locally based employment opportunities through full-time employment with higher wages and less seasonality.
2. Diversify the County's Tax base through commercial and industrial development.
3. Improve the quality of life in the enterprise zone.

Mr. Powell listed the State incentives available to qualifying businesses relocating or expanding in the zone, and the local incentives available based on capital investment and/or workforce requirement.

2. PERSONNEL MATTERS

Committee Assignments

Farmer's Market - Mr. Nystrom stated the Mr. Hudgins would be stepping down as IDA liaison to the Farmer's Market and requested that another Director assume these duties. Any interest or recommendations should be indicated to him prior to the next regular meeting.

Local Enterprise Zone Association - Mr. Nystrom informed the Authority that the Enterprise Zone designation will require formation of an advisory board. This will be a seven member committee including a Board Supervisor member, a community financial leader, a community business leader, the Assistant Community Services Manager, and an IDA Director. Mr. Nystrom nominated Director Campana to serve on this committee.

On a motion from Mr. Bartlett, seconded by Mr. Nichols, the Authority unanimously approved the appointment of Director Campana to the Local Enterprise Zone Association, by voice vote.

Volunteer - Ms. Barner introduced Ms. Heather Blum. Ms. Blum will be working for the Office of Economic Development. Her responsibilities will be in research and preparation of support materials.

3. APPROVAL OF MINUTES

On motion of Mr. Bartlett, seconded by Mr. Nichols, the minutes of September 21, 1995 were unanimously approved by voice vote.

4. TREASURER'S REPORT

The Treasurer's Report from Ms. Pettengill for the Authority was read by Mr. Taylor along with the Capital Improvements Expenditure report. On motion by Mr. Bartlett, seconded by Mr. Campana, the Treasurer's Report, as presented, was unanimously approved by voice vote.

5. ACTION ITEMS

1996 IDA Meeting Calendar

Mr. Taylor requested the Director make note that the 1996 IDA regular quarterly meetings are scheduled to begin one half hour earlier than in previous years.

On a motion from Mr. Bartlett, seconded by Mr. Cross, the Authority unanimously approved the 1996 meeting calendar.

6. REPORTS

James River Commerce Center

Mr. Horne commented that the James River Commerce Center was once again undergoing a redesign and rezoning process. Currently the Authority's partner, Williamsburg Developments Inc. (WDI), is negotiating with Balfour Beatty for expansion into the park.

Mr. Taylor commented that WDI and staff were exploring the possibility of applying for Bonded Industrial Road Access Funds. The request would cover the construction cost for a 1600 ft road back into the property. WDI would provide the required surety with a \$300,000 letter of credit.

Industrial Shell Building Project

Mr. Taylor stated that the building has been completed, and a new landscape contractor has been obtained to complete the landscaping around the building. The Authority has not yet taken possession of the building.

Mr. Taylor also informed the Authority that the shell building marketing brochure has been distributed to industrial brokers throughout the area, to VPEDC, to the utilities, and to the State economic development agency.

Strategic Plan

Mr. Taylor reported the Board of Supervisors will be reviewing staff recommendations in the updating of James City County's Strategic Plan. Mr. Nystrom recommended the Industrial Development Authority develop its own Strategic Plan and present it in a work session with the Board of Supervisors.

Mr. Bartlett suggested that this work session should be in conjunction with the timeline for the County-wide Strategic Plan.

Mr. Nystrom recommended a special facilitated IDA meeting be called to accomplish the first part of this process and that a facilitator be made available to assist in conducting an IDA strategic planning session. County Administrator Norman agreed to this course of action.

Comprehensive Plan Update

Mr. Horne informed the Authority that the County has completed its first round of community conversation meetings. A Comprehensive Plan survey will be sent to random families throughout the County next, and the second round of Community Conversations will begin in February/March.

A County Planning Division staff member will be invited to provide a briefing at the IDA's March meeting on the process and results to date.

Ambassadors Program

Mr. Hudgins reported that there has been no activity since the last meeting. There is a tentative meeting planned for early next year.

Incentives Task Force

No report.

Farmers' Market

Mr. Nystrom informed the Authority that the Growers Cooperative has renewed its lease of the Strawberry Plains Road property for another year.

Small/New Business Assistance Program

Ms. Barner explained she is developing a guide to small business services available on the Peninsula. The directory will be maintained in a desk-top publishing format to accommodate changes and will be made available to one requesting a copy.

Mr. Bartlett commented that this will not only be a useful service for new business, but will assist many existing businesses as well. He recommends, however, that legal counsel review and possibly add a disclaimer as to the accuracy of the guide's information.

FY 1995 Financial Audit

Mr. Taylor asked the Authority to review the draft copy of the financial audit for questions or comments. Currently recommendations are for operating procedures which will allow the Authority to maintain its autonomy yet utilize the County's accounting department to process and monitor the IDA's accounts.

Survey of Other Industrial Development Authorities

Ms. Barner informed the Authority that over one hundred IDAs had been researched. The main finding is that each IDA operates a little differently concerning the topics surveyed, but each depends on a consensus with its funding jurisdiction(s) as to what its activity level is. This adds further support to the IDA's decision to go through a Strategic Planning process itself.

SEDC '98 Conference Bid

Mr. Taylor informed the Authority that the bid for the SEDC '98 Conference has been awarded to the James City County/Williamsburg area. Mr. Taylor also wished to recognize the exceptional assistance of the Williamsburg Area Convention and Visitors Bureau during the bid process.

Mr. Taylor also informed the Authority that he would be the local chair for the SEDC '98 Conference Committee.

New York Report to Top Management

Mr. Nystrom informed the Authority that he found the event very informative and a good environment for networking. He had easy access to other Peninsula political and business leaders and developed rapport with several IDA chairs. He recommends continued IDA support of and participation in this event.

IDA Operating Budget

Mr. Hudgins commented that since the Authority has historically minimal operating expenditures, the amount of money was not enough to support a request for additional operating funding from the Board at this time.

Virginia Tech IDA Institute

Mr. Nichols had a personal emergency which caused him to miss the 1995 course, but Virginia Tech offered to credit his fees towards attending the 1996 session, which he plan to attend.

1995 IDA Annual Report

Mr. Nystrom informed the Authority that the annual report should be finalized and presented before the next regular IDA meeting.

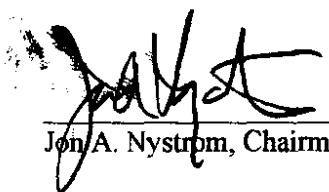
6. OTHER BUSINESS

Mr. Taylor informed the Authority that OED recently participated in the production of a marketing video on the Industrial Shell Building produced by Virginia Power.

Mr. Taylor also informed the Authority that it has received a check in the amount of \$5,185.00 for the sale of a parcel containing 0.061 acres for part of its Strawberry Plains property to the Virginia Department of Transportation.

7. ADJOURNMENT

There being no further business, Mr. Nystrom entertained a motion by Mr. Bartlett to adjourn. The motion was seconded by Mr. Campana and passed unanimously by voice vote. The meeting was adjourned at 5:15 p.m.



Jon A. Nystrom, Chairman




Keith A. Taylor, Secretary

TREASURER REPORT
INDUSTRIAL DEVELOPMENT AUTHORITY

FY 96

<u>REVENUE SOURCE</u>	<u>COLLECTED THIS PERIOD</u>	<u>COLLECTED TO DATE</u>
Farmers Market Lease	\$ 1,700.00	\$ 3,400.00
Interest on Available Cash	1,775.56	3,529.99
Loan Payments	18,358.52	36,717.05
General Fund Transfer	678,131.23	1,283,506.87
Quarterly Receipts	699,965.31	
Fiscal Year Receipts		1,327,153.91
BANK BALANCE MAY 31, 1995		112,868.49
 Total Receipts		 1,440,022.40
 Disbursements This Quarter	 811,297.53	
Previous Disbursements	607,967.19	
Total Disbursements To Date		1,419,264.72
 Bank Balance November 30, 1995		 20,757.68


Betty S. Pettengill, Treasurer

Checks Written:

124	375,289.00	Stonehouse, Inc.
125	302,758.98	Stonehouse, Inc
126		Written May 1995 out of order
127	63.96	Colonial Point & Hardware
128	527.00	First Virginia Bank
129	132,639.30	Stonehouse, Ine
	19.29	Memo transfer to James City County



INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY

September 15, 1995

Mr. Irvin J. Farmer, Principal
Robinson, Farmer, Cox Associates
P.O. Box 6580
Charlottesville, Virginia 22906

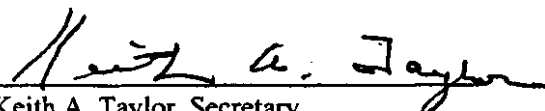
In connection with your audit of the financial statements of the Industrial Development Authority of James City County, Virginia as of June 30, 1995, and for the fiscal year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Authority and the results of its operations in conformity with generally accepted accounting principles, we confirm to the best of our knowledge and belief, the following representations made to you during your audit:

1. We are responsible for the fair presentation in the financial statements of financial position and results of operations of the Authority in conformity with generally accepted accounting principles. The financial statements include all properly classified funds of the Authority.
2. We have made available to you all -
 - a. Financial records and related data.
 - b. Minutes of meetings of Authority Board for the period July 1, 1994 to date, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no -
 - a. Irregularities involving management or employees who have significant roles in the control structure.
 - b. Irregularities involving other employees that could have a material effect on the financial statements.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.

Mr. Irvin J. Farmer, Principal
Septemebr 15, 1995

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5. The following have been properly recorded or disclosed in the financial statements:
 - a. Joint ventures and related party transactions and related accounts receivable or payable, including revenues, expenditures, loans, transfers, leasing arrangements, and guarantees.
 - b. Arrangements with financial institutions involving repurchase or reverse repurchase agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - c. Agreements to repurchase assets previously sold.
6. There are no -
 - a. Violations or possible violations of budget ordinance, or laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other materials liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - c. Reservations or designations of fund equity that were not properly authorized and approved.
7. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
8. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
9. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
10. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
11. No events have occurred subsequent to the balance sheet date that would require adjustments to, or disclosure in, the financial statements.

Signed: 
Keith A. Taylor, Secretary

September 15, 1995

To the Board of Directors of the Industrial
Development Authority of James City County

In planning and performing our audit of the financial statements of the Industrial Development Authority of James City County for the year ended June 30, 1995, we were asked by the Authority to consider the Authority's internal control structure during our auditing procedures. Our comments and recommendations involving the internal control structure are intended to improve that structure and are summarized as follows:

We would recommend that the Authority consider utilizing the County's accounting and purchasing departments to consolidate and centralize the Authority's accounting, procurement and financial reporting functions. As the Authority grows and develops, the need for enhanced accounting and procurement functions increases. The County of James City currently has internal control policies and procedures in place in these areas that the Authority could and should utilize. By using the County's purchasing department, the Authority would still initiate and approve all purchases, but the County purchasing department would assist the Authority in procuring goods and services so as to comply with State Procurement Laws, including State codified exceptions granted to industrial development authorities. Further, when all disbursements are centralized and processed through the County's accounting system, the County Accounting department would provide the Authority necessary record keeping and financial reporting functions i.e. centralized storage for paid invoice and monthly consolidated financial reports for the Authority to review.

As Betty Pettengill is currently the treasurer for the Authority as well as the County, and handles all financial matters on behalf of the Authority, it would be of benefit to consider merging the Authority's accounting procedures into the accounting departments of the County. This would preclude the necessity of the Authority having to develop accounting procedures of its own. The implementation of the above procedures would in no way impair the independence of the Authority. It would instead, improve internal controls over cash disbursements and enhance the financial reporting and record keeping functions of the Authority as a separate entity.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 1995



ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS



OPEN FOR BUSINESS SINCE 1607... JAMES CITY COUNTY, WILLIAMSBURG, VIRGINIA

MEMORANDUM

TO: All Industrial Development Authority Directors
FROM: Keith A. Taylor, Secretary ^{K.A.T.}
DATE: March 25, 1996
SUBJECT: FY 1995 IDA Audit Transmittal
CCS: Frank Morton, Betty Pettengill, Perry DePue,
David Norman

Please accept our apologies for the delay in getting this to you, but we have just received the complete FY 1995 IDA Audit package from Robinson, Farmer, Cox Associates. It is enclosed for your review prior to formally accepting it at your March 28 meeting.

To our knowledge, this is the first such "independent" audit the IDA has had, so please give it your critical assessment prior to your Thursday meeting. I have conferred with Chairman Nystrom concerning having representation by the CPA firm at your meeting. Unless one of you requests it of us, we do NOT plan on having a CPA representative at this meeting.

September 15, 1995

To the Board of Directors of the Industrial
Development Authority of James City County

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Robinson, Farmer, Cox Associates
Charlottesville, Virginia

INDUSTRIAL DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA

FINANCIAL REPORT
YEAR ENDED JUNE 30, 1995

A Political Subdivision Formed July 9, 1979
Pursuant to Chapter 33, Title 15.1 of the Code of Virginia (1950), As Amended

INDUSTRIAL DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA

Board Members

Jon A. Nystom, Chairman

Gilbert A. Bartlett

Myrl L. Hairfield

Vincent Campana, Jr.

George M. Hudgins, Jr.

Joseph M. Cross, Jr.

Sterling M. Nichols

Other Officials

Keith A. Taylor, Secretary

Betty S. Pettengill, Treasurer

Frank M. Morton, III, Legal Counsel

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF
INDUSTRIAL DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA**

We have audited the general purpose financial statements of the Industrial Development Authority of James City County, Virginia as of and for the year ended June 30, 1995. 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 generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, and Specifications for Audits of Authorities, Boards and Commissions issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Industrial Development Authority of James City County, Virginia as of June 30, 1995, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 1995 on our consideration of the Industrial Development Authority of James City County's internal control structure and a report dated September 15, 1995 on its compliance with laws and regulations.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia

September 15, 1995

FINANCIAL STATEMENTS

INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA

Balance Sheet
At June 30, 1995

ASSETS

Current assets:	
Cash and cash equivalents (Note 3)	\$ 117,400
Loan receivable (Note 4)	<u>190,467</u>
Total current assets	\$ <u>307,867</u>
Fixed assets:	
Land (Note 2)	\$ 442,214
Building (Note 2)	104,400
Construction in progress (Note 2 & 6)	<u>366,194</u>
Sub-total	\$ 912,808
Accumulated depreciation	<u>(11,745)</u>
Net fixed assets	\$ <u>901,063</u>
Total assets	\$ <u><u>1,208,930</u></u>

RETAINED EARNINGS

Equity:	
Retained earnings	\$ <u><u>1,208,930</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA

Statement of Income, Expenses, and Changes in Retained Earnings
Year Ended June 30, 1995

Revenues:		
Rent (Note 5)	\$	6,100
Interest		21,714
Miscellaneous (Note 2)		<u>1,200</u>
Total revenues	\$	<u>29,014</u>
Expenses:		
Advertising (Note 2)	\$	2,883
Community development (Note 2)		3,385
Depreciation		<u>2,610</u>
Total expenses	\$	<u>8,878</u>
Excess of revenues over expenses	\$	20,136
Other financing sources:		
Transfer in from the County General Fund		<u>369,579</u>
Net income	\$	389,715
Retained earnings, beginning of year as adjusted (Note 7)		<u>819,215</u>
Retained earnings, end of year	\$	<u><u>1,208,930</u></u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA

Statement of Cash Flows
Year Ended June 30, 1995

Cash flows from operating activities:	
Operating income	\$ 20,136
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	2,610
(Increase) decrease in accounts receivable	<u>55,080</u>
Net cash provided by operating activities	\$ <u>77,826</u>
Cash flows from capital and related financing activities:	
Construction in progress	\$ <u>(366,194)</u>
Increase (decrease) in cash and cash equivalents before other financing sources	\$ (288,368)
Other financing sources:	
Transfer in from the County General Fund	<u>369,579</u>
Increase (decrease) in cash and cash equivalents	\$ 81,211
Cash and cash equivalents at beginning of year	<u>36,189</u>
Cash and cash equivalents at end of year	\$ <u>117,400</u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA

Notes to Financial Statements **June 30, 1995**

NOTE 1—ORGANIZATION, DESCRIPTION OF THE ENTITY AND ITS ACTIVITIES:

The Industrial Development Authority of James City County, Virginia was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of James City County on July 9, 1979, 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 a seven member board appointed by the Board of Supervisors of James City County, Virginia. The essential purpose of the Authority is to promote industrial and commercial development in the County. The Authority received a major portion of its funding from the County of James City, Virginia for the year ended June 30, 1995.

Financial Reporting Entity

The Industrial Development Authority of James City County has been determined to be a component unit of the County of James City County, Virginia, in accordance with Government Auditing Standards Board Statement 14, "The Financial Reporting Entity." Component units are legally separate entities for which a primary government is financially accountable. The County is financially accountable due to the significance of the fiscal dependence relationship with the Authority. The information included in these financial statements will also be included in the financial statements of James City County because of the significance of the Authority's financial relationship with the County.

Implementation of the County's accounting procedures by the Authority shall in no way impinge upon the independence of the Authority or otherwise impair the Authority's power to perform its functions under State law.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Basis of Accounting

The Authority recognizes revenue and expenses on the accrual basis of accounting. In these financial statements miscellaneous revenue represents an expense reimbursement item, advertising expenses represent the costs of illustrating, copying and publishing information related to the industrial shell building, and community development expenses represent the costs of conducting and attending meetings and seminars in an effort to promote industrial and commercial development in the County.

Industrial Development Authority of James City County, Virginia
Notes to the Financial Statements
June 30, 1995

B. Fixed Assets

Fixed assets (land and buildings) are recorded at cost or market value at the date of contribution. Depreciation is computed using the straight-line method, over the estimated useful lives of the assets as described below:

Buildings..... 40 years

The Authority incurred depreciation expense of \$2,610 for the year ended June 30, 1995.

The fixed assets of the Authority consists of two parcels of land and a building recorded at estimated market value at the dates of donation. The Farmer's Market property was transferred to the Authority on January 17, 1991 and consisted of a 5.729 acre parcel improved with a 3600 square foot, one story commercial building. The estimated value of the land and building on January 17, 1991 are \$209,109 and \$104,400, respectively. In addition, the Locust Grove tract property was transferred to the Authority on October 14, 1992 and consisted of a 61.211 acre tract of land. The estimated value of the land on October 14, 1992 was \$233,109.

Fixed assets of the Authority also include construction in progress on an industrial shell building as further discussed in Note 6.

C. Pass Through Financing Leases

Some activities of the Authority represent pass through leases. The Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities within the County. 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 neither receives nor disburses funds.

Although title to these properties rests with the Authority, bargain purchase options or other lease provisions eliminate any equity interest that would otherwise be retained. Deeds of trust secure outstanding obligations and title will revert to the lessee when the bonds are fully paid.

Industrial Development Authority of James City County, Virginia
Notes to the Financial Statements
June 30, 1995

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets, liabilities, rental income or interest expense in its financial statements.

NOTE 3—CASH AND CASH EQUIVALENTS:

Deposits - At year-end the carrying value of the Authority's deposits with banks was \$117,400, and the bank balance was \$117,683. Of the bank balance, \$117,683 was covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act ("Act"). 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. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. At June 30, 1995, no balances of the Authority were uninsured or uncollateralized in banks and savings institutions because of failure of the institutions to qualify under the Act.

NOTE 4—LOANS RECEIVABLE:

On April 8, 1994, the Authority entered into a financing agreement with Commonwealth Business, Inc. (Commonwealth) to enable Commonwealth to purchase a building in James City County, Virginia. Under the terms of the agreement, Commonwealth borrowed \$250,000 from the Authority. The loan is secured and is payable in monthly installments to the Authority over four years, bearing interest at 8% per year. Monthly payments are \$6,120 and total fiscal year payments of combined interest and principal received on the loan total \$73,434.

NOTE 5—LEASE REVENUES:

The Authority leases a property known as the Farmer's Market to the James City Growers Cooperative Association under an operating lease. The lease agreement requires quarterly payments totaling \$6,800 annually. In addition, the James City Growers Cooperative Association is required to pay annually up to 10% of its net profits to the Authority each year up to a maximum additional rent of \$12,600. As of June 30, 1995, the James City Growers Cooperative Association has yet to make a profit, so no additional rent has been received.

Industrial Development Authority of James City County, Virginia
Notes to the Financial Statements
June 30, 1995

NOTE 6--INDUSTRIAL SHELL BUILDING:

During the year under audit, the Authority purchased approximately 10 acres of land located in James City County for \$300,000 on which to construct an industrial shell building. The Board of Supervisors of James City County passed a resolution to transfer \$1,200,000 from its Capital Reserve Fund to the Authority to accommodate part of the cost of the shell building project. The Authority has begun construction on the project. Construction in progress of \$366,194 on the balance sheet is for the industrial shell building project.

NOTE 7--PRIOR PERIOD ADJUSTMENT TO RETAINED EARNINGS:

In prior years the Authority was included in the financial statements of the County of James City, Virginia as a special revenue fund. Due in part to increased operations of the Authority, they are now considered a component unit of the County and as such are using the accrual basis of accounting. Their assets have been capitalized and depreciated necessitating the restatement of prior year's fund balance. Below is the restatement of fund balance.

Beginning fund balance, June 30, 1994	\$ 281,736
Add: Fixed Assets	546,614
Less: Depreciation to date on above fixed assets	<u>(9,135)</u>
Beginning retained earnings, July 1, 1994 as adjusted	<u>\$ 819,215</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA

Schedule of Revenue Bonds Outstanding
Year Ended June 30, 1995

Bond	Dated Issued	Amount Issued	Trustee	Balance, June 30, 1995
Industrial Revenue Note--Mt. Pleasants Association	10-31-81	\$ 700,000	United Virginia Bank	\$ 242,084
Supplementary Industrial Revenue Note--Mt. Pleasants Association	12-22-82	100,000	United Virginia Bank	37,816
Industrial Development Revenue Bond--Anderson	11-12-81	235,000	Old Colony Bank & Trust	202,852
Industrial Development Revenue Bonds--Lightfoot Motels	3-1-84	1,600,000	United Virginia Bank	1,065,000
Industrial Development Revenue Bonds--Kubicki	11-28-84	1,300,000	Dominion Bank of Greater Hampton Roads	944,000
Industrial Development Revenue Bond--Sixty West	12-19-84	2,375,000	Sovran Bank	2,190,442
Elderly Residence Mortgage Revenue Bond --Oxford	12-4-85	25,000,000	United Virginia Bank	10,000,000
Industrial Development Revenue Bond--MLB Corp	12-12-85	2,250,000	United Virginia Bank	1,172,000
Industrial Development Revenue Bond--C & N	12-12-85	2,500,000	Central Fidelity Bank	1,550,000
Industrial Development Revenue Bond--Burnt Ordinary	12-12-85	2,100,000	Not available	1,333,000
Retirement Community Refunding Revenue Bonds--Williamsburg Landing	3-1-87	30,955,000	United Virginia Bank	21,668,500
Industrial Development Revenue Bond--Ball Corporation	6-28-87	1,500,000	Not available	300,000
Refunding Revenue Bonds-- Outlet Inn	5-19-88	4,130,000	Crestar Bank	1,581,107
Private Activity Revenue Bonds-- Williamsburg Winery	9-20-88	850,000	Crestar Bank	646,000
Refunding Revenue Bonds-- Olde Towne Square	5-19-89	<u>750,000</u>	Not available	<u>450,000</u>
Totals		\$ <u>76,345,000</u>		\$ <u>43,382,801</u>

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

AUDITORS' REPORT ON THE INTERNAL CONTROLS

**BOARD OF DIRECTORS
INDUSTRIAL DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA**

We have audited the general purpose financial statements of the Industrial Development Authority of James City County, Virginia as of and for the year ended June 30, 1995, and have issued our report thereon dated September 15, 1995.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and 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 general purpose financial statements are free of material misstatement.

The management of the Industrial Development Authority of James City County, Virginia, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits of the general purpose financial statements of the Industrial Development Authority of James City County, Virginia for the year ended June 30, 1995, we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

We noted no matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the cash basis financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the cash basis 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as described above.

This report is intended for the information of the Board of Directors and the County of James City, Virginia. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Abner J. James, CPA Associate

Charlottesville, Virginia
September 15, 1995

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

AUDITORS' REPORT ON COMPLIANCE

**BOARD OF DIRECTORS
INDUSTRIAL DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA**

We have audited the general purpose financial statements of the Industrial Development Authority of James City County, Virginia as of and for the year ended June 30, 1995, and have issued our report thereon dated September 15, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and 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 our audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Industrial Development Authority of James City County, Virginia is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Industrial Development Authority of James City County, Virginia's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general-purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors and the County of James City, Virginia. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
September 15, 1995