

AT A MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON DECEMBER 11, 1997, AT 3:30 P.M., IN THE JAMES CITY COUNTY, BUILDING C CONFERENCE ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

1. ROLL CALL

The meeting was called to order by Chairman Nystrom at 3:30 p.m. A roll call by Secretary Taylor identified the following members present:

Mr. John Berkenkamp  
Mr. Vincent Campana  
Mr. John Carmichael  
Mr. Robert Demer  
Mr. Sterling Nichols  
Mr. Jon Nystrom

ALSO PRESENT

Keith Taylor, Secretary, IDA  
Donna Christian, Recording Secretary, IDA  
Sandra Barner, Economic Development Technician  
Sanford Wanner, James City County Administrator  
Perry Depue, James City County Board of Supervisors  
William Porter, Assistant County Administrator, James City County  
Stephen Johnson, Mays & Valentine, LLP  
Fred Barré, The Barré Company, Inc.  
Tom Price, The Barré Company, Inc.  
Suzanne Mellen, Accounting Supervisor, James City County  
Hugh Riley, Oyster Point Construction  
Leo Rogers, Deputy County Attorney, James City County  
Susan St. Amant, KPMG Peat Marwick, LLP  
Elizabeth Foster, KPMG Peat Marwick, LLP

LATE ARRIVALS

Mr. Gilbert Bartlett

2. APPROVAL OF MINUTES

On a motion by Mr. Berkenkamp and a second by Mr. Carmichael, the September 17 and October 23, 1997 minutes were approved by unanimous voice vote.

3. EXECUTIVE SESSION TO DISCUSS PROPERTY ACQUISITION/DISPOSITION

Mr. Taylor recommended that the IDA go into Executive Session pursuant to Section 2.1-344 (A) (3) of the Code of Virginia to consider acquisition/disposition of a parcel/parcels of property. On a motion made by Mr. Campana, seconded by Mr. Berkenkamp, the IDA went into Executive

Session. Chairman Nystrom declared the IDA out of Executive Session at 4:10 p.m. and considered a motion from Mr. Bartlett and seconded by Mr. Demer to approve the Resolution Certification of Executive Session.

## RESOLUTION

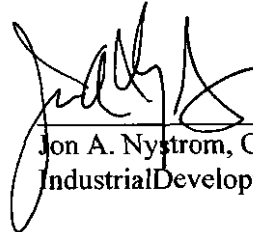
MEETING DATE: December 11, 1997

### CERTIFICATION OF EXECUTIVE MEETING

WHEREAS, the Industrial Development Authority of the County of James City, Virginia (IDA) has convened an executive meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.1-344.1 of the Code of Virginia requires a certification by the Board that such executive meeting was conducted in conformity with Virginia law.

NOW, THEREFORE, BE IT RESOLVED that the Industrial Development Authority of the County of James City, Virginia, hereby certifies that, to the best of each member's knowledge; (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the executive meeting to which this certification resolution applies; and (ii) only such public business matters as were identified in the motion convening the executive meeting were heard, discussed or considered by the IDA.

  
\_\_\_\_\_  
Jon A. Nystrom, Chairman  
Industrial Development Authority

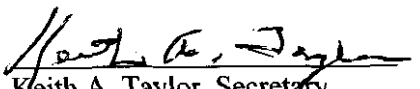
VOTE:

AYE: 7

NAY: 0

(For each nay vote, the substance of the departure from the requirements of the Act should be described)

ATTEST:

  
\_\_\_\_\_  
Keith A. Taylor, Secretary  
Industrial Development Authority

Adopted by the Industrial Development Authority of the County of James City, Virginia, this 11th Day of December, 1997.

4. PRESENTATIONS

FY 1997 Audit

Elizabeth Foster from the accounting firm, KPMG Peat Marwick, LLP, presented the 1997 audit to the IDA directors. She further reported that the audit was clean with no problems.

The Barré Company, LLC Industrial Revenue Bond Financing Request

Mr. Barré gave a brief presentation on his company with background information. He introduced Mr. Tom Price, who will be the plant manager for the new Virginia facility. Steve Johnson then gave a brief report on the bond financing request for The Barré Company, Inc. and answered questions from the IDA directors regarding this request.

5. PUBLIC HEARING

Chairman Nystrom opened the public hearing concerning The Barré Company, Inc. industrial revenue bond financing application. No member of the public appeared to speak on the application. Chairman Nystrom then closed the public hearing.

6. ACTION ITEMS

FY 1997 Audit

Chairman Nystrom called for a vote on the 1997 audit report. On a motion by Mr. Bartlett, and a second by Mr. Campana, the 1997 audit was approved by unanimous voice vote.

Resolution Authorizing the Acquisition of Property at Stonehouse Commerce Park

On a motion by Mr. Bartlett and a second by Mr. Berkenkamp, the resolution authorizing the acquisition of property at Stonehouse Commerce Park was approved by unanimous voice vote.

Resolution Authorizing the Execution of The Barré Company Performance Sales Agreement

On a motion by Mr. Bartlett and a second by Mr. Campana, the resolution authorizing the execution of The Barré Company Performance Sales Agreement was approved by unanimous voice vote.

Resolution Approving Issuance of Industrial Development Revenue Bonds for the Benefit of The Barré Company LLC

On a motion by Mr. Berkenkamp and a second by Mr. Nichols, the resolution authorizing the issuance of Industrial Development Revenue Bonds for The Barré Company, LLC was approved by unanimous voice vote.

## CY 1998 Meeting Calendar

Mr. Nystrom entertained a motion from Mr. Berkenkamp which was seconded by Mr. Carmichael to approve the IDA 1998 meeting calendar. The motion was approved by unanimous voice vote.

### 7. REPORTS

#### James River Commerce Center Design Review Board

Mr. Campana reported on the progress of the James River Commerce Center Design Review Board and stated that the meetings were going well.

#### Planning Commission Report

Mr. Demer reported that he is receiving the planning commission package in the mail and being notified of the meetings. Don Davis is his point of contact when he has questions. Mr. Demer stated that he views the planning commission meetings on the television and only attends the meetings if there is a specific issue he feels needs to be addressed by the IDA.

#### Peninsula Alliance for Economic Development

Chairman Nystrom reported that the Alliance has been formed and that the bylaws have been approved. He further stated that the Alliance is keeping the Virginia Peninsula Economic Development Council functioning during this transition period. The Mercer Group has been retained to find a CEO for the new Alliance. The Alliance has a 42 member board and four of these persons are from James City County.

#### Strawberry Plains Road Property

Mr. Campana reported that AES Engineers had been retained to prepare a conceptual plan to show how the property might be developed. The plan was presented which showed 32,600 square feet of possible office or retail space. Mr. Campana stated the next step should be to retain an appraiser to determine the worth of the property in view of the conceptual plan. Mr. Taylor then stated that after this, the Board of Supervisors could then better decide what to do with the property.

#### IDA Strategy 2.4.1: County Regulatory Policies/Procedures Review

Mr. Wanner reported that staff is reviewing policies and procedures to determine whether the County is a barrier remover, not a barrier. The IDA strategic plan states that this strategy will be complete by December 1997. This date will have to change because the review will not be completed by this time. Mr. Wanner further stated that the zoning review will probably take all of 1998 to complete.

#### IDA Strategy 3.2.5: IDA Presentation at FY 98 Business Leaders' Breakfast Meeting

Mr. Taylor reminded the IDA that they are to appoint a director to develop and stage a program at one of the upcoming Business Leaders' Breakfast Meetings. This would be done to provide the IDA with a higher public profile.

Staff Report

Mr. Taylor asked if there were any questions regarding the written staff report. There were no questions regarding the attached status report.

8. OTHER BUSINESS

Mr. Demer stated that he recently had a conversation with Mr. Bill Brown regarding Service Metal Fabricators, Inc. upcoming move to James River Commerce Center. Mr. Wanner then stated that both he and Mr. Taylor have spoken to Mr. Brown regarding his concerns.

Mr. Demer reported that his company BTG Delta Research has formed a partnership with the Newport News Shipyard and Christopher Newport University and to develop a business model for electronic commerce. He further stated that membership information can be obtained through Christopher Newport University. The membership is open to regional and statewide organizations.

Mr. Campana related a desire to have one of the other directors take over his responsibility for the IDA's upcoming Business Leaders' Breakfast program.

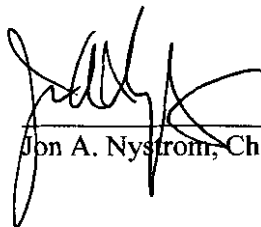
Mr. Taylor stated that he is the local conference committee chairman for the Southern Economic Development Council conference which will be held in Williamsburg in October 1998. He further stated that he is looking for financial sponsors for the conference.

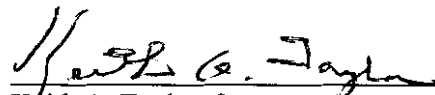
9. ELECTION OF 1998 OFFICERS

Mr. Bartlett reported that he had spoken to Mr. Nystrom and Mr. Nichols and that they are both willing to continue in their current positions of Chairman and Vice-Chairman respectively if approved by the other IDA directors. On a motion by Mr. Bartlett and a second by Mr. Demer, the IDA voted to re-elect Mr. Nystrom as Chairman and Mr. Nichols as Vice-Chairman, by unanimous voice vote.

10. ADJOURNMENT

There being no further business, Mr. Campana made a motion that the meeting be adjourned. His motion was seconded by Mr. Nichols and the meeting was adjourned at 4:50 p.m. by a unanimous voice vote.

  
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Jon A. Nystrom, Chairman

  
\_\_\_\_\_  
Keith A. Taylor, Secretary

## SUMMARY OF STATEMENTS MADE AT PUBLIC HEARING

### **Members of the Public Appearing Before the Authority:**

Fred D. Barré on behalf of The Barré Company, L.L.C.

### **Summary of Statements Made by Members of the Public:**

Mr. Barré spoke briefly about the acquisition, construction and equipping of an approximately 40,000 square foot manufacturing facility for precision metal fabrication to be located in the Stonehouse Commerce Park. Mr. Barré answered questions from the Authority regarding the facility.

No members of the public not representing The Barré Company, L.L.C. were present at the public hearing or submitted written comments to the Authority in advance thereof.

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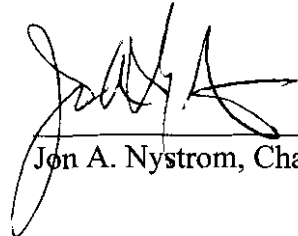
# RESOLUTION

## ACQUISITION OF REAL PROPERTY IN THE STONEHOUSE COMMERCE PARK

WHEREAS, the Industrial Development Authority of the County of James City, Virginia ("IDA") desires to purchase 7.7+/- acres of land from Stonehouse, Inc. ("Stonehouse") to help facilitate the location of two new industrial operations in James City County; and

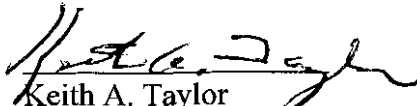
WHEREAS, Stonehouse is willing to sell such land to the IDA.

NOW THEREFORE BE IT RESOLVED that the IDA hereby authorizes and directs its Chairman, Jon A. Nystrom to execute the Real Estate Sales Agreement(s) with Stonehouse and such other documents as may be necessary to acquire 7.7+/- acres of land in the Stonehouse Commerce Park at a purchase price not to exceed \$327,250.



Jon A. Nystrom, Chairman

ATTEST:



Keith A. Taylor  
Secretary to the IDA

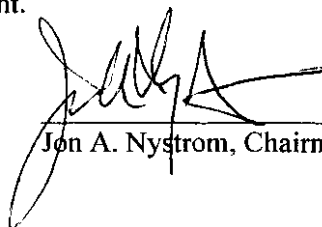
Adopted by the Industrial Development Authority of the County of James City, Virginia,  
this 11th day of December, 1997.

## RESOLUTION

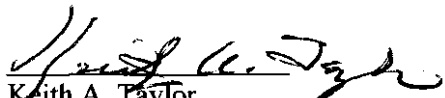
### PERFORMANCE SALES AGREEMENT WITH THE BARRÉ COMPANY, INC.

- WHEREAS, Fred D. and Marilynn J. Barré and The Barré Company, Inc. (collectively "Barré") are interested in locating as sheet metal fabrication and assembly facility (the "Facility") in the Stonehouse Commerce Park in James City County, Virginia; and
- WHEREAS, Barré anticipates investing approximately \$2.6 million for real estate acquisition, improvements and business personal property in locating the Facility in James City County; and
- WHEREAS, Barré anticipates that it will employ approximately 20 people at the Facility; and
- WHEREAS, the Industrial Development Authority of the County of James City, Virginia ("IDA") is willing to acquire 4.6+- acres of land in the Stonehouse Commerce Park and sell that land to Barré, at a reduced price, to encourage Barré's location of the Facility in James City County.

NOW, THEREFORE, BE IT RESOLVED that the IDA hereby authorizes and directs its Chairman, Jon A. Nystrom, to execute a Performance Sales Agreement with Barré to sell 4.6+- acres of land in the Stonehouse Commerce Park for \$253,000 to be discounted by \$92,000 over approximately four years based on Barré investment in James City County as is more fully described in the Performance Sales Agreement.

  
Jon A. Nystrom, Chairman

ATTEST:

  
Keith A. Taylor  
Secretary to the IDA

Adopted by the Industrial Development Authority of the County of James City, Virginia, this 11th day of December, 1997.



**RESOLUTION OF THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE COUNTY OF JAMES CITY, VIRGINIA  
AUTHORIZING THE ISSUANCE OF UP TO \$3,000,000  
IN AGGREGATE PRINCIPAL AMOUNT OF INDUSTRIAL DEVELOPMENT  
REVENUE BONDS FOR THE PURPOSE OF FINANCING A  
MANUFACTURING FACILITY**

WHEREAS, the Industrial Development Authority of the County of James City, Virginia, a political subdivision of the Commonwealth of Virginia (the "Authority"), is empowered by the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2 of the Code of Virginia, as amended (the "Act"), to issue its revenue bonds for the purpose of inducing manufacturing, industrial and commercial facilities to locate or remain in the Commonwealth of Virginia (the "Commonwealth") and to promote the commerce, safety, health, welfare, convenience or prosperity of the citizens of the Commonwealth;

WHEREAS, the Authority has received a request from The Barré Company, L.L.C. (the "Applicant"), a Virginia limited liability company, whose principal place of business currently is 256 Sheffield Street, Mountainside, New Jersey 07092, requesting that the Authority issue its revenue bonds to assist the Applicant in financing (1) the acquisition, construction and equipping of a 40,000 square foot manufacturing facility for precision metal fabrication located on the left side of LaGrange Parkway approximately 700 feet from the intersection of LaGrange Parkway and State Route 30 in the Stonehouse Commerce Park, which is located on the east side of State Route 30 approximately one mile south of the intersection of Interstate 64 and State Route 30 in James City County, Virginia (the "Project"), and (2) payment of the costs of issuing the Bonds;

WHEREAS, the issuance of bonds for the Project will induce the Applicant to locate the Project in James City County, Virginia (the "County") and thereby benefit the inhabitants of the County and the Commonwealth through the increase of their commerce and through the promotion of their safety, health, welfare, convenience and prosperity;

WHEREAS, the Applicant, in an appearance before the Authority by the Applicant's representatives and in the application filed with the Authority, has described the benefits of the Project to the inhabitants of the County and the Commonwealth;

WHEREAS, the Project has been described to the Authority, and a public hearing has been held as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and by the Act; and

WHEREAS, the Applicant has represented that the estimated cost of the Project and all expenses of the issue payable from bond proceeds will require an issue of industrial development revenue bonds in an aggregate principal amount not to exceed \$3,000,000 (the "Bonds");

NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA:

1. It is hereby found and determined that the acquisition, construction and equipping of the Project will be in the public interest, will bring additional revenues and employment into the County and will promote the commerce, safety, health, welfare, convenience or prosperity of the Commonwealth, the County and their citizens. The Project is an "authority facility" within the meaning of the Act.

2. To induce the Applicant to complete the Project in the County, the Authority hereby agrees to assist the Applicant in financing the costs of the Project by undertaking the issuance of its Bonds in an amount not to exceed \$3,000,000 upon terms and conditions mutually agreeable to the Authority and the Applicant and loaning the proceeds of the Bonds to the Applicant pursuant to a loan agreement or similar agreement which will provide payments to the Authority in conformity with the Act sufficient to pay the principal of, premium, if any, and interest on, the Bonds and to pay all other expenses in connection with the Project.

3. The Bonds shall be issued in form acceptable to, and pursuant to terms to be set by, the Authority, and the payment of the Bonds shall be secured by an assignment, for the benefit of the holders thereof, of the Authority's rights to payments under the loan agreement or similar agreement with respect to the Project and may be additionally secured by any other collateral, agreement or assignment. The Bonds may be issued in one or more series at one time or from time to time. The final terms of, security for, and other provisions of, the Bonds shall be determined by the adoption of a final bond resolution by the Authority.

4. It having been represented to the Authority that it is necessary to proceed immediately with the planning and acquisition, construction and equipping of the Project, the Authority hereby agrees that the Applicant may proceed with its plans for the Project, enter into contracts for construction, materials and equipment for the Project and take such other steps as it may deem appropriate in connection therewith; provided, however, that nothing herein shall be deemed to authorize the Applicant to obligate the Authority without its consent in each instance to the payment of any moneys or the performance of any acts in connection with the Project. The Authority agrees that the Applicant may be reimbursed from the proceeds of the Bonds for all costs so incurred by the Applicant, insofar as such costs are properly reimbursable under the Act and other applicable state and federal laws.

5. At the request of the Applicant, the Authority hereby appoints Mays & Valentine, L.L.P., Richmond, Virginia, as Bond Counsel to supervise the proceedings and approve the issuance of the Bonds.

6. In adopting this Resolution, the Authority intends to take "official action" toward the issuance of the Bonds and to evidence its "official intent" to the extent necessary to allow for the use of the proceeds of the Bonds to reimburse the Applicant for "original expenditures" associated with the development or financing of the Project, to the full extent

permitted by Treasury Regulation Section 1.150-2. The Applicant reasonably expects that it will reimburse the "original expenditures" with the proceeds of the Bonds.

7. All costs and expenses in connection with the financing and the acquisition, construction and equipping of the Project, including but not limited to the fees and expenses of the Authority, Authority counsel and Bond Counsel, shall be paid from the proceeds of the Bonds or funds provided by the Applicant. If for any reason the Bonds are not issued, it is understood that all such expenses shall be paid by the Applicant and that the Authority shall have no responsibility therefor.

8. The Applicant hereby agrees to indemnify and save harmless the Authority, its officers, directors, employees and agents from and against all liabilities, obligations, claims, damages, penalties, losses, costs and expenses in any way connected with the Project, the application submitted by the Applicant or the issuance of the Bonds.

9. Neither the Authority, including its officers, directors, employees and agents, nor the County shall be liable and hereby disclaim all liability to the Applicant and all other persons or entities for any damages, direct or consequential, resulting from the failure of the Authority to issue the Bonds for any reason.

10. The Applicant agrees to pay the Authority the fees set forth in the Authority's application.

11. The Authority hereby (a) recommends that the Board of Supervisors of James City County, Virginia (the "Board") approve the issuance of the Bonds to the extent required by Section 147(f) of the Code within sixty days of the date of the adoption of this Resolution by the Authority and (b) directs the Chairman or Vice Chairman and the Secretary or Assistant Secretary of the Authority to file with the Board this Resolution, the Applicant's Fiscal Impact Statement and a reasonably detailed summary of the statements made at the public hearing held by the Authority on December 11, 1997.

12. The Authority agrees to file a request to the Virginia Small Business Financing Authority for an allocation of up to \$3,000,000 with respect to the Bonds, which allocation is a condition precedent to the issuance of the Bonds as tax-exempt obligations pursuant to federal law. The Applicant in requesting the approval of this Resolution understands that it may not receive allocation of private activity bond volume cap from the State Ceiling or otherwise and understands that the adoption of this Resolution neither carries nor implies any assurance of or commitment for an allocation, nor any obligation with respect thereto. By accepting any proceeding under authority of this Resolution, the Applicant agrees (i) to indemnify and hold the Authority harmless for any damages, direct or consequential, suffered by it as a result of any action or inaction of the Virginia Small Business Financing Authority with respect to such allocations or otherwise, (ii) to provide for such indemnification in all documents to which the Applicant and the Authority are parties, (iii) to provide in such documents that they will forbear to bring any action for such damages as aforesaid, and (iv) to assume the risk that the

entire volume of tax exempt notes or bonds authorized to be issued in the Commonwealth in any period may be allocated to others.

13. All other acts of the officers of the Authority which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds and the undertaking of the Project are hereby approved and confirmed.

14. Unless this Resolution is extended by the Authority, the Bonds authorized hereunder shall be issued within one (1) year from the date hereof.

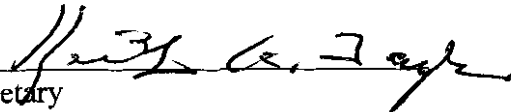
15. This Resolution shall take effect immediately upon its adoption.

ADOPTED: December 11, 1997

CERTIFICATE

I, the undersigned Secretary of the Industrial Development Authority of the County of James City, Virginia (the "Authority") hereby certifies that the foregoing is a true, correct and complete copy of the Resolution duly adopted by a majority of the Directors of the Industrial Development Authority of the County of James City, Virginia present and voting at a meeting duly called and held on December 11, 1997, all in accordance with law, and that such Resolution has not been repealed, revoked or rescinded but is in full force and effect on the date hereof.

WITNESS my hand and the seal of the Authority this 11th day of December,  
1997.

By   
Secretary  
INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE COUNTY OF JAMES CITY, VIRGINIA

#465465v2

**1998 REGULAR MEETING CALENDAR**  
**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**OF JAMES CITY COUNTY, VIRGINIA**

3:30 PM, THURSDAY, MARCH 12, 1998

3:30 PM, THURSDAY, JUNE 11, 1998

3:30 PM, THURSDAY, SEPTEMBER 10, 1998

3:30 PM, THURSDAY, DECEMBER 10, 1998

This 1998 Regular Meeting Calendar was adopted by the Industrial Development Authority of James City County at its December 11, 1997, meeting. Please retain it for your information and records.

The Industrial Development Authority reserves the right to modify this schedule as necessary. Special meetings may also need to be called as situations warrant.

Unless posted to the contrary, all meetings will be held in the Board Room of Building C, James City County Government Center, 101 Mounts Bay Road, James City County, Virginia.

**OFFICE OF ECONOMIC DEVELOPMENT  
PROJECTS STATUS REPORT  
December 11, 1997**

**James River Commerce Center**

Both Ball Metal and Service Metal Fabricators have broken ground for their facilities. Director Campana, Jack Fraley, and Joe Poole comprise the center's Design Review Board.

**Shell Building**

Having the building played a part in attracting both the Barre' Company and AVID/Medical to Stonehouse Commerce Park. OED is starting to receive advertising inquiries from its fall shell building ad placements in Site Selection and Expansion Management trade magazines.

**James River Enterprise Zone**

Staff continues to meet with representatives for potential projects to explore benefits. Both Ball Metal and Service Metal Fabricators have applied for and are receiving permit fee waivers related to construction in the EZ. Service Metal Fabricators has also had its IRB application and closing fees (total \$1,400) rebated.

**Small/New Business Assistance Program**

A final draft of the proposed program, endorsed by County Administration, has been provided to observers of the focus group process. (The observers represent a variety of organizations and agencies that provide direct assistance to small and new businesses.) Director Bartlett is serving as the IDA's liaison to this project. Pending comments from the observers, the plan is ready for presentation to the Board of Supervisors as an information item at a regular January meeting. Some James City County items have already been undertaken.

**"How to Start a Business in James City County"**

One of the small/new business assistance items already complete is a booklet on how to start a business in James City County. The booklet is a "basic primer" of practical advice and contact information on local licensing, taxes, building codes, signage, sources of assistance, etc. It expands on and will replace the previous Small Business Resources Guide. Booklets will be made available to the Chamber of Commerce, commercial realtors, the library, County divisions that assist businesses, and the public.

**Promotion Marketing Brochure/Internet Home Page Redesign**

The new marketing brochure is in draft form and is now being reviewed.

**Prospect Outreach**

Manufacturing plant announcements at Stonehouse by The Barre' Company and AVID Medical.

IDA Chairman Jon Nystrom, Supervisor Perry DePue, and Keith Taylor attended New York Report to Top Management. Had productive meeting with Fred Barre' which led to

Barre' Company announcement at Stonehouse Commerce Park.

Keith Taylor participated in the 3000 - person Fall World Congress of the International Development Research Council in San Diego. (IDRC is the "grand daddy" of corporate asset manager professional associations; these core attendees make or facilitate the facility location decisions for corporations around the world.)

**Briefings for New Board Members**

Bill Porter is in process of scheduling Office of Economic Development briefings for new Board of Supervisors members.





The Global Leader

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

**Financial Statements**

**June 30, 1997**

**(With Independent Auditors' Report Thereon)**

**COUNTY OF JAMES CITY, VIRGINIA**

County Officials

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**Board Members**

Jon A. Nystom ..... Chairman

Sterling M. Nichols ..... Vice Chairman

Gilbert A. Bartlett

Vincent Campana, Jr.

Joseph M. Cross, Jr.

Myrl Hairfield

**Other Officials**

Keith A. Taylor ..... Secretary

Betty S. Pettengill ..... Treasurer

Frank M. Morton, III ..... Legal Counsel

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## Independent Auditors' Report

To the Members of the  
Industrial Development Authority  
of James City County, Virginia:

We have audited the balance sheet of the Industrial Development Authority of James City County, Virginia (the Authority), a component unit of the County of James City, Virginia, as of June 30, 1997, and the statements of revenues, expenses and changes in retained earnings and cash flows for the year then ended. 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. 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, 1997 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying Schedule of Revenue Bonds Outstanding is not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express an opinion on it.

*KPMG Peat Marwick LLP*

September 25, 1997



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

Balance Sheet

June 30, 1997

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Assets:		
Cash (note 2)	\$	737,387
Fixed assets:		
Building		1,568,985
Land		897,214
		<hr/>
		2,466,199
Less accumulated depreciation		44,426
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Net fixed assets		2,421,773
		<hr/>
Total assets	\$	3,159,160
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Liabilities and Retained Earnings:		
Liabilities:		
Accounts payable		1,155
Due to James City County		1,526
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Total liabilities		2,681
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Retained earnings		3,156,479
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Contingency and subsequent events (notes 6 and 7)		
		<hr/>
Total liabilities and retained earnings	\$	3,159,160

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See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Retained Earnings

Year ended June 30, 1997

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Operating revenues:		
Reimbursement from the Commonwealth of Virginia	\$	253,386
Bond application fees		131,630
Lease revenue (note 3)		6,800
Miscellaneous income		2,870
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Total operating revenues		394,686
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Operating expenses:		
Community development		5,088
Advertising		4,622
Professional fees		2,000
Travel and training		1,880
Miscellaneous		1,516
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Total operating expenses before depreciation		15,106
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Depreciation		30,071
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Total operating expenses		45,177
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Operating income		349,509
<hr/>		
Nonoperating revenues:		
Grant from James City County		210,592
Interest income		23,439
<hr/>		
Total nonoperating revenues		234,031
<hr/>		
Net income		583,540
<hr/>		
Retained earnings at beginning of year		2,572,939
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Retained earnings at end of year	\$	3,156,479

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See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 1997

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Cash flows from operating activities:	
Operating income	\$ 349,509
Adjustment to reconcile operating income to cash provided by operating activities:	
Depreciation	30,071
Changes in assets and liabilities:	
Loan receivable	145,637
Accounts payable	1,134
Due to James City County	(103)
	<hr/>
Net cash provided by operating activities	526,248
	<hr/>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(210,592)
Grant from James City County	210,592
	<hr/>
Net cash provided by capital and related financing activities	-
	<hr/>
Cash flows provided by investing activity -	
Interest income	23,439
	<hr/>
Increase in cash	549,687
Cash at beginning of year	187,700
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Cash at end of year	\$ 737,387

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See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 1997

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**(1) Summary of Significant Accounting Policies**

The Industrial Development Authority of James City County, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of James City County (the 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 has been determined to be a component unit of the County of James City, Virginia, in accordance with Governmental Accounting Standards Board Statement No. 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 these reporting requirements shall in no way infringe upon the independence of the Authority nor otherwise impair the Authority's power to perform its functions under State law.

***Basis of Presentation***

For accounting purposes, the Authority is considered a Proprietary Fund. Proprietary Funds are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. The measurement focus is upon determination of net income. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, proprietary fund types may follow all applicable GASB pronouncements as well as only those Financial Accounting Standards Board (FASB) pronouncements and predecessor APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989. Under paragraph 7 of Statement No. 20, the Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

(Continued)

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

Notes to Financial Statements

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**(1) Continued**

***Basis of Accounting***

The Authority recognizes revenues and expenses on the accrual basis of accounting. Under the accrual method, revenues are recognized in the period earned and expenses are recognized when they are incurred.

***Cash Equivalents***

For purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at June 30, 1997.

***Fixed Assets***

The Authority's policy is to capitalize fixed assets with a cost or donated basis of one thousand dollars (\$1,000) or greater. The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. The Authority provides for depreciation of fixed assets using the straight-line method at amounts estimated to amortize the cost or basis of the assets over their estimated useful lives, as follows: Building - 40 years.

When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in results of operations.

***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.

(Continued)



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

Notes to Financial Statements

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**(1) Continued**

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.

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.

**(2) Cash and Cash Equivalent**

The carrying value of the Authority's deposits with banks was \$737,387 at June 30, 1997. The bank balance, which may differ from the carrying value of deposits due primarily to outstanding checks and deposits in transit, is fully covered by Federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent 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.

**(3) Lease Revenue**

The Authority leases a property known as the Farmer's Market to the James City Growers Cooperative Association under an operating lease renewable annually. 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 percent of its net profits to the Authority each year up to a maximum additional rent of \$12,600. During 1997, the James City Growers Cooperative Association did not make a profit, thus, no additional rents were received.

(Continued)

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

Notes to Financial Statements

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**(4) Conduit Debt Obligations**

From time to time, the Authority has issued Industrial Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 1997, there were 16 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$91.3 million.

**(5) Transactions with Related Parties**

Certain financial management and accounting services are provided to the Authority by James City County. Services were provided at no charge during the year ended June 30, 1997. In addition, certain personnel costs in 1997 were incurred by the County for the benefit of the Authority at no charge to the Authority.

**(6) Contingency**

In October 1995, the Authority entered into an agreement with an unrelated organization, Amoco/Enron Solar, for the purpose of acquiring the option to purchase certain real property from this organization. The payment amounts on the option pertain to real property taxes paid by Amoco/Enron Solar on property, up to a maximum of twenty (20) acres, owned in the Stonehouse Commerce Park and any machinery and tools taxes paid on equipment located on such property. A total of \$2,871 was paid by the Authority related to this agreement in December 1996 and is included in community development expenses. This agreement expires December 31, 2000, and is not renewable.

(Continued)

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

Notes to Financial Statements

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**(7) Subsequent Events**

In August 1997, the Authority entered into an option contract to purchase approximately 217 acres of certain real property known as the Mainland Farm for a total purchase price of \$2,250,000. A payment of \$330,000 was made in August 1997 that will hold open the option to buy the property for a period of two years. At the end of two years, an additional \$720,000 payment would be required. The remaining \$1,200,000 would then be paid over a period of 10 years.

The Authority also entered into an option contract to sell approximately 210 acres of this property to the Williamsburg Land Conservancy for a total price of \$2,200,000. This organization has paid \$30,000 to hold open the option to purchase the property for two years. At the end of two years, the remaining balance would be payable over a period of five years.

During 1987, the County deeded certain property to the Authority to be used for purposes of providing space for a farmers market. The conveyance of the land was for a 15 year period subject to the property being used for a farmers market. If the property ceases to be used as a farmers market for a continuous period of two years, the land will revert to the County. As of November 1, 1997, the lease agreement with the tenant operating a farmers market will terminate.

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

Schedule of Revenue Bonds Outstanding

June 30, 1997

Bond	Date issued	Balance June 30, 1997
Industrial Revenue Note - Mt. Pleasants Association	10/31/81 \$	172,084
Supplementary Industrial Revenue Bond - Anderson	12/22/82	27,732
Industrial Development Revenue Bonds - Anderson	11/12/81	191,550
Industrial Development Revenue Bonds - Lightfoot Motels	3/1/84	900,000
Industrial Development Revenue Bonds - Kubicki	11/28/84	817,316
Industrial Development Revenue Bond - Sixty West	12/19/84	2,122,322
Industrial Development Revenue Bond - MLB Corp.	12/12/85	825,000
Industrial Development Revenue Bond - C & N	12/12/85	1,350,000
Industrial Development Revenue Bond - Burnt Ordinary	12/12/85	1,161,000
Retirement Community Refunding Revenue Bond - Williamsburg Landing	3/1/87	18,573,000
Refunding Revenue Bonds - Outlet Inn	5/19/88	1,064,857
Private Activity Revenue Bonds - Williamsburg Winery	9/20/88	578,000
Refunding Revenue Bonds - Olde Towne Square	5/19/89	350,000
Elderly Residential Mortgage Revenue Bonds	9/24/96	25,000,000
Revenue Bond, Series 1997	4/9/97	7,700,000
Residential Care Facility Revenue Bonds	4/11/97	30,500,000
	\$	91,332,861