

AT A MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON NOVEMBER 15, 2001, AT 3:30 P.M. IN THE BUILDING C CONFERENCE ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

1. CALL TO ORDER

The meeting was called to order by Chairman Bartlett at 3:34 p.m.

2. ROLL CALL

A roll call identified the following members present:

Mr. Gilbert Bartlett  
Mr. Vincent Campana, Jr.  
Ms. Virginia Hartmann  
Mr. Sterling Nichols  
Mr. Mark Rinaldi

ALSO PRESENT

Keith A. Taylor, Secretary, IDA  
William C. Porter, Assistant County Administrator  
Kelly See, Recording Secretary, IDA  
Sandra Barner, OED Project Coordinator  
Ann Davis, IDA Treasurer  
Sue Mellen, County Accounting Supervisor  
Elizabeth Foster, KPMG, IDA Auditor  
Rick Weigel, Peninsula Alliance for Economic Development  
Matthew James, Peninsula Alliance for Economic Development  
Fred Paris, Peninsula Alliance for Economic Development

ABSENT

Mr. John Berkenkamp  
Mr. Jon Nystrom

3. PERSONNEL MATTERS

a. Appoint nominating committee for 2002 Officers

Mr. Bartlett appointed Mr. Nichols as the Chair of the Nominating Committee for 2002 Officers.

4. APPROVAL OF MINUTES

On a motion by Mr. Campana and a second by Mr. Rinaldi, the minutes from the September 20, 2001 regular meeting and the October 30, 2001 joint meeting with the Board of Supervisors were approved by unanimous voice vote.

5. FINANCIAL REPORTS

a. Treasurer's and Financial Reports

Ms. Mellen presented the Treasurer's and Financial Reports. On a motion by Mr. Rinaldi, and a second by Ms. Hartmann, the Treasurer's and Financial Reports were accepted as presented by unanimous voice vote.

b. Fiscal Year 2001 Audit Presentation

Ms. Mellen introduced Ms. Elizabeth Foster with KPMG to present the IDA's Fiscal Year 2001 Audit. Ms. Foster reported that it was a good audit year and that KPMG had given the IDA an unqualified opinion which is the best opinion possible. On a motion by Mr. Campana and a second by Mr. Rinaldi, the annual audit was accepted by unanimous voice vote.

6. PRESENTATIONS

a. Update on Peninsula Alliance for Economic Development Activities

Mr. Rick Weigel of the Peninsula Alliance for Economic Development introduced Mr. Matthew James and Mr. Fred Paris, also of the Alliance. Mr. Weigel stated that they were there to give the IDA a status report of the Alliance's activities. He reported that the Alliance's two primary missions were business attraction and workforce development. He thanked the IDA for contributing to the Alliance's success up to this point.

Mr. Paris gave an overview of the Alliance's business attraction activities. He reported their main activity involved marketing missions to major metropolitan areas. They also participate in trade shows and special events such as sponsoring the Michelob Championship. He reported that the Alliance would be starting new ventures including a television commercial and a PR campaign.

Mr. James gave an overview of the Alliance's workforce development activities. He reported that in the Alliance's first year, they started by developing customized programs for companies in the manufacturing cluster. Last year, they expanded to six clusters. He reported they had done a summer program for middle and high school guidance counselors which was very successful. He stated that the recent opening of the Peninsula

Workforce Development Center gave the area a competitive advantage.

Mr. Weigel gave an overview of the Alliance's financial structure. Mr. Weigel then answered questions from the Directors. Mr. Bartlett thanked the representatives of the Alliance for their presentation.

7. ACTION ITEMS

a. Meeting Calendar for 2002

Mr. Taylor presented the proposed meeting calendar for 2002. On a motion by Ms. Hartmann and a second by Mr. Rinaldi, the 2002 meeting calendar was approved by unanimous voice vote.

b. Assistance for INCOGEN

Mr. Taylor presented a resolution authorizing the IDA Chairman to enter into a Performance Based Agreement with INCOGEN, Inc., a software engineering company relocating to James City County. Mr. Taylor gave some background on the company and answered questions from the Directors regarding the inducements being offered to the company. On a motion from Mr. Campana and a second by Ms. Hartmann, the resolution authorizing the IDA Chairman to execute a Performance Based Agreement with INCOGEN, Inc. was approved by the following roll call vote:

Mr. Bartlett	Aye
Mr. Campana	Aye
Ms. Hartmann	Aye
Mr. Nichols	Aye
Mr. Rinaldi	Aye

8. REPORTS

a. BOS Liaison to IDA

Mr. Nervitt was not present.

Mr. Bartlett commented that he thought the recent joint meeting between the IDA and the Board of Supervisors was productive.

b. Planning Commission Liaison

Mr. Rinaldi reported that he had enjoyed his roll as Liaison to the Planning Commission and wanted to share that roll with others. The Directors and Staff then discussed how the

IDA could become more involved in the process of providing input to the Planning Commission on land use cases with an economic development impact. Chairman Bartlett suggested that since the IDA serves at the pleasure of the Board of Supervisors, perhaps the IDA should save their comments on land use issues for the Board rather than at the Planning Commission level. Mr. Porter recommended that the IDA discuss this with the Board of Supervisors at their next joint meeting.

c. Peninsula Alliance for Economic Development

Mr. Taylor stated that this topic had been covered by the earlier presentation.

d. Crossroads Project Liaison

Mr. Taylor reported that a milestone meeting of the Crossroads group was coming up.

e. Technology Issues

Mr. Campana reported that one result of the IDA's worksession with the Board of Supervisors was a recommendation to look into a consultant study to explore recruiting research and technology businesses. In response to the recommendation, a survey had been sent out to gauge interest in retaining a consultant. He reported that there had been a good response so far.

f. Secondary Schools Programming Focus Group Liaison

Ms. Hartmann reported that nothing was currently happening with the focus group and that the item could be removed from the agenda for now.

g. Shell Building Advancement Strategies

Mr. Taylor reported that the shell building team had met for a second time with the property owners and received written responses from the owners detailing their offers. He stated that substantial progress had been made so far.

9. REPORTS OF THE ECONOMIC DEVELOPMENT STAFF

Mr. Taylor reported that the Michelob Championship sponsorship had been very successful with an 87% participation rate. He gave a brief overview of the makeup of the skybox guests.

Mr. Taylor reported that he had recently been on marketing missions to Dallas and New York and would be going to California in December.

Mr. Taylor reported that the Office of Economic Development was having a CD-ROM

presentation prepared. Ms. Barner explained that the CDs were being produced by Dominion at no cost and could be customized for prospects.

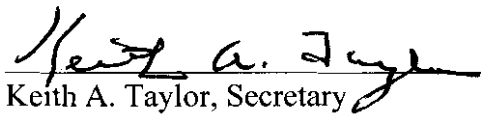
10. OTHER BUSINESS

Ms. Hartmann distributed a white paper she had prepared on her trip to Springfield, Massachusetts to view a gas-fired power plant. She said that she was impressed with the operation and was happy to answer any questions from the other Directors.

11. ADJOURNMENT

There being no further business Chairman Bartlett entertained a motion from Ms. Hartmann to adjourn. The motion was seconded by Mr. Rinaldi and approved by unanimous voice vote. The meeting was adjourned at 5:22 p.m.

  
Sterling Nichols, Chairman

  
Keith A. Taylor, Secretary

**RESOLUTION**

PERFORMANCE BASED AGREEMENT WITH INCOGEN, INC.

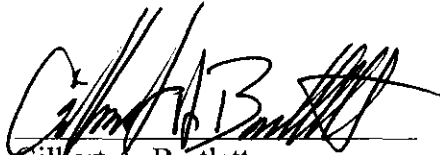
WHEREAS, INCOGEN, Inc. ("INCOGEN") is interested in locating a software engineering operation in James City County, Virginia; and

WHEREAS, INCOGEN anticipates investing approximately \$2.4 million for equipment and intellectual property in locating in James City County; and

WHEREAS, INCOGEN anticipates that it will employ approximately 60 people for its operation in James City County; and

WHEREAS, the Industrial Development Authority of the County of James City, Virginia ("IDA") is willing to offer INCOGEN certain inducements to encourage INCOGEN's location in James City County.

NOW THEREFORE BE IT RESOLVED that the IDA hereby authorizes its Chairman to execute a Performance Based Agreement with INCOGEN in a form suitable to the Chairman, Secretary and Counsel of the IDA and the principals of INCOGEN that allows the IDA to loan INCOGEN up to \$10,000 as reimbursement for documented corporate relocation expenses associated with INCOGEN's move from Clemson, South Carolina to James City County. Such Agreement will stipulate the schedule of satisfaction to earn those inducements and the requirements for repayment by INCOGEN in the case of not achieving the anticipated requirement thresholds in the anticipated period of time.



Gilbert A. Bartlett  
Chairman, Industrial Development Authority

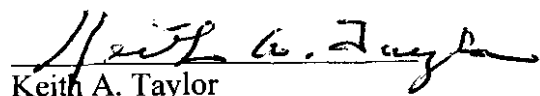
VOTE:

AYE: 5

NAY: 0

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

ATTEST:

A handwritten signature in black ink, appearing to read "Keith A. Taylor", written over a horizontal line.

Keith A. Taylor  
Secretary, Industrial Development Authority

Adopted by the Industrial Development Authority of James City County, Virginia, this  
15<sup>th</sup> day of November, 2001.

**Treasurer's Report-FY 02  
Industrial Development Authority  
Sept-Oct 2001**

<b>Rev Code</b>	<b>Revenue Source</b>	<b>Prior Collections</b>	<b>Collected this period</b>	<b>Collected to Date</b>
021-325-0100	Lease Income	\$0.00		\$0.00
021-325-0200	Interest on Available Cash	\$542.26	\$299.60	\$841.86
021-325-0600	General Fund Contribution	\$129,446.00		\$129,446.00
021-325-0400	Bond Fee Revenue	\$0.00		\$0.00
021-325-0500	Land Contract Payment Revenue	\$0.00		\$0.00
021-325-0250	Misc Revenue	\$0.00		\$0.00
	Expense Reimbursement	\$0.00		\$0.00
	Total receipts this period		\$299.60	
	Fiscal Year Receipts			\$130,287.86
	Bank balance June 30, 2001			\$96,855.51
	Total Receipts			\$227,143.37
	Disbursements this Period	\$2,012.12		
	Previous disbursements	\$136,176.23		
	Total disbursements to Date			\$138,188.35
	Bank balance Oct 31, 2001			<b><u>\$88,955.02</u></b>



**INDUSTRIAL DEVELOPMENT AUTHORITY**  
**EXPENDITURES**

**James City County**

08-Nov-01

IDA: Year ( 2002 ) Period ( 4 )

Ledger ID	Ledger Description	Beg Budget	September	October	Encumb	Total YTD Exp	Balance
<b>OPERATING EXPENSES</b>							
021-010-0205	PROMOTION	\$26,000.00	\$0.00	\$300.00	\$0.00	\$425.00	\$25,575.00
021-010-0210	INSURANCE	\$650.00	\$0.00	\$0.00	\$0.00	\$0.00	\$650.00
021-010-0219	TELEPHONE	\$200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$200.00
021-010-0220	TRAVEL & TRAINING	\$3,000.00	\$291.50	\$409.62	\$0.00	\$701.12	\$2,298.88
021-010-0222	LOCAL TRAVEL	\$200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$200.00
021-010-0232	JAMES RIVER COMMERCE CTR - OPS	\$3,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,500.00
021-010-0233	SHELL BUILDING - OPS	\$1,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00
021-010-0234	STRAWBERRY PLAINS - OPS	\$1,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,000.00
021-010-0235	ANNUAL AUDIT	\$5,000.00	\$0.00	\$1,000.00	\$0.00	\$4,225.00	\$775.00
021-010-0245	MAINLAND FARM - OPER EXPENSES	\$100.00	\$5.50	\$5.50	\$0.00	\$22.00	\$78.00
021-010-0300	ADVERTISING	\$1,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,000.00
021-010-0319	OFFICE SUPPLIES & EQUIPMENT	\$200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$200.00
021-010-0370	HISTORICAL MARKERS	\$0.00	\$0.00	\$0.00	\$1,200.00	\$0.00	(\$1,200.00)
021-010-0398	OED DISCRETIONARY EXPENDITURE	\$1,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00
021-010-0600	SMALL BUSINESS ASSISTANCE	\$600.00	\$0.00	\$0.00	\$0.00	\$0.00	\$600.00
	Total Operating Expenses	\$44,450.00	\$297.00	\$1,715.12	\$1,200.00	\$5,373.12	\$37,876.88
<b>CAPITAL EXPENSES</b>							
021-010-0405	CAPITAL EXPENDITURES	\$0.00	\$0.00	\$0.00	\$0.00	\$127,146.00	(\$127,146.00)
	Total Capital Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$127,146.00	(\$127,146.00)

**James City County**

**INDUSTRIAL DEVELOPMENT AUTHORITY  
EXPENDITURES**

IDACIP: Year ( 2002 ) Period ( 4 )

08-Nov-01

Ledger ID	Ledger Description	Begin Budget	September	October	Project to Date	Encumbrances	Ending Balance
	CAPITAL PROJECTS FUND						
	(PROJECT TO DATE)						
021-011-0200	JRCC	\$168,626.00	\$0.00	\$0.00	\$152.80	\$0.00	\$168,473.20
021-011-0300	ECONOMIC DEVELOPMENT	\$2,625,000.00	\$0.00	\$0.00	\$1,796,120.86	\$0.00	\$826,879.14
021-011-0350	INDUSTRIAL PROP/INFRASTRUCTUR	\$2,496,535.00	\$0.00	\$0.00	\$21,850.00	\$0.00	\$2,474,685.00
021-011-0400	SHELL INDUSTRIAL BLDG FUND	\$92,760.80	\$0.00	\$0.00	\$6,421.87	\$21,850.00	\$64,488.93
	Total Capital Projects Fund	\$5,382,921.80	\$0.00	\$0.00	\$1,826,545.53	\$21,850.00	\$3,534,526.27

**INDUSTRIAL DEVELOPMENT AUTHORITY  
BRIDGE BETWEEN TREASURER'S REPORT AND ACCOUNTING REPORTS  
October 31, 2001**

Total disbursements per treasurer's report		\$138,188.35
Total operating expenses	\$5,373.12	
Total capital expenses	\$127,146.00	
Total capital projects expenses	\$2,300.00	
Accounts payable:		
Keith Taylor, reimbursement	\$377.48	
Stonehouse, Inc. - shell building expenses	\$2,991.75	
Total expenses		\$138,188.35
Net difference		\$0.00



2100 Dominion Tower  
999 Waterside Drive  
Norfolk, VA 23510

August 22, 2001

The Members of the  
Industrial Development Authority of  
James City County, Virginia

Dear Members:

We have audited the financial statements of the Industrial Development Authority of James City County, Virginia (the Authority) as of and for the year ended June 30, 2001 and have issued our report thereon dated August 22, 2001. Under auditing standards generally accepted in the United States of America, we are providing you with the following information related to the conduct of our audit.

We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected.

In addition, in planning and performing our audit, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

The significant accounting policies used by the Authority are described in note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2001. We noted no transactions entered into by the Authority during the year that were both significant and unusual and of which, under professional standards, we are required to inform you. We noted no transactions which lack authoritative accounting guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We proposed no corrections of the financial statements that were not recorded that could, in our judgment, either individually or in aggregate, have a significant effect on the Authority's financial reporting process.

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the Authority's financial statements.





The Members of the  
Industrial Development Authority of  
James City County, Virginia  
August 22, 2001  
Page 2

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of AU 625, *Reports on the Application of Accounting Principles*.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We encountered no difficulties in dealing with management in performing our audit.

This report is intended solely for the information and use of the Members of the Industrial Development Authority of James City County, Virginia and is not intended to be, and should not be, used by anyone other than this specified party.

Very truly yours,

**KPMG LLP**



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

(A Component Unit of the County of James City,  
Virginia)

Financial Statements

June 30, 2001

(With Independent Auditors' Report Thereon)

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

Authority Officials

June 30, 2001

**Board Members**

Gilbert A. Bartlett..... Chairman

John Berkenkamp ..... Vice Chairman

Vincent A. Campana, Jr.

Virginia B. Hartmann

Sterling M. Nichols

Jon A. Nystrom

Mark G. Rinaldi

**Other Officials**

Keith A. Taylor ..... Secretary

M. Ann Davis ..... Treasurer

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



2100 Dominion Tower  
999 Waterside Drive  
Norfolk, VA 23510

## Independent Auditors' Report

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, 2001, 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 auditing standards generally accepted in the United States of America. 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, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying schedule of revenue bonds outstanding-conduit debt 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 LLP**

August 22, 2001





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

Balance Sheet

June 30, 2001

**Assets**

Current assets -		
Cash (note 2)	\$	96,856
Land (note 6)		2,608,122
Notes receivable (note 5)		<u>55,680</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>2,760,658</u></u></b>

**Liabilities and Retained Earnings**

Current liabilities:		
Accounts payable	\$	3,370
Current portion of note payable (note 6)		<u>60,000</u>
<b>Total current liabilities</b>		<b>63,370</b>
Note payable, less current portion (note 6)		<u>1,080,000</u>
<b>Total liabilities</b>		<b>1,143,370</b>
Retained earnings		<u>1,617,288</u>
<b>Total liabilities and retained earnings</b>	<b>\$</b>	<b><u><u>2,760,658</u></u></b>

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, 2001

Operating revenues:	
County contribution	\$ 444,013
Bond fees	10,660
Lease income	<u>7,363</u>
Total operating revenues	<u>462,036</u>
Operating expenses:	
Community development (note 7)	301,161
Note forgiveness (note 5)	36,100
Advertising	22,600
Enterprise zone grants	18,720
Professional fees	4,100
Travel and training	<u>662</u>
Total operating expenses	<u>383,343</u>
Operating income	<u>78,693</u>
Nonoperating revenue (expense):	
Interest income	4,944
Interest expense	<u>(70,680)</u>
Net nonoperating expense	<u>(65,736)</u>
Net income	12,957
Retained earnings at beginning of year	<u>1,604,331</u>
Retained earnings at end of year	<u>\$ 1,617,288</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2001

Cash flows from operating activities:	
Operating income	\$ 78,693
Adjustment to reconcile operating income to cash provided by operating activities:	
Note forgiveness (note 5)	36,100
Changes in assets and liabilities:	
Due from James City County	5,878
Accounts payable	<u>(59,979)</u>
Net cash provided by operating activities	<u>60,692</u>
Cash flows used in capital and capital related financing activities - Principal payments of note payable	<u>(60,000)</u>
Cash flows from investing activities:	
Interest received	4,944
Interest paid	<u>(70,680)</u>
Net cash used in investing activities	<u>(65,736)</u>
Decrease in cash	(65,044)
Cash at beginning of year	<u>161,900</u>
Cash at end of year	\$ <u><u>96,856</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2001

**(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 (GASB) 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 is 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.

**(a) 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 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 GASB Statement No. 20, the Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

**(b) 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.

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

Notes to Financial Statements

June 30, 2001

**(c) 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 of June 30, 2001, the Authority's fixed assets consist of land.

**(d) 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 bondholders, 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.

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**

The carrying value of the Authority's deposits with banks was \$96,856 at June 30, 2001. 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% 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% 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.

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

Notes to Financial Statements

June 30, 2001

**(3) 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, 2001, there were 23 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$148 million.

**(4) 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, 2001. In addition, certain personnel costs in 2001 were incurred by the County for the benefit of the Authority at no charge to the Authority.

**(5) Notes Receivable**

During 1998, the Authority sold two parcels of land to unrelated organizations. In exchange for the land, the Authority received cash of \$160,851 and two notes receivable of \$38,750 and \$92,000. These notes receivable will be forgiven over a four-year period beginning in fiscal year 1999 in the event that the buyers maintain a certain taxable capital investment in the County. During 2001, the Authority forgave \$36,100 related to these notes.

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

Notes to Financial Statements

June 30, 2001

**(6) Note Payable**

In August 1999, the Authority exercised an option to purchase 217 acres of real property known as the Mainland Farm. The acquisition was partially funded by incurring a \$1,200,000 promissory note pursuant to the option contract from an unrelated third party. Principal and interest are payable annually, and interest accrues at 5.89%. Any outstanding principal or interest is due in full in August 2009. Amounts outstanding are secured by a Deed of Trust conveying the real property. Maturities of outstanding principal are as follows:

2002	\$	60,000
2003		60,000
2004		60,000
2005		60,000
2006		60,000
Thereafter		<u>840,000</u>
	\$	<u><u>1,140,000</u></u>

**(7) Commitment and 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 depend on the amount of capital investment made by Amoco/Enron Solar on its 20-acre parcel in the Stonehouse Commerce Park. A total of \$271,480 was paid by the Authority related to this agreement during the year and is included in community development expenses. This agreement expired December 31, 2000 and was not renewable.

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

Schedule of Revenue Bonds Outstanding-Conduit Debt (Unaudited)

June 30, 2001

<b>Bond</b>	<b>Date issued</b>	<b>Balance June 30, 2001</b>
Industrial Development Revenue Bond - Christopher Newport University Educational Foundation	05/18/01	\$ 8,000,000
Industrial Development Revenue Bond - Avid Medical	10/01/98	1,850,000
Industrial Development Revenue Bond - Greystone	09/23/98	5,200,000
Industrial Development Revenue Bond - Barre Co.	03/06/98	2,550,822
Industrial Development Revenue Bond - DYARRCC	09/01/97	2,145,630
Revenue Bond, Series A 1997 - Williamsburg Landing Inc.	10/01/97	39,080,000
Revenue Bond, Series B 1997 - Williamsburg Landing Inc.	10/01/97	8,000,000
Revenue Bond, Series 1997 - Anheuser-Busch	04/09/97	7,700,000
Residential Care Facility Revenue Bonds	04/11/97	30,500,000
Elderly Residential Mortgage Revenue Bonds	09/24/96	24,717,135
Refunding Revenue Bonds - Olde Towne Square	05/19/89	150,000
Private Activity Revenue Bonds - Williamsburg Winery	09/20/88	442,000
Refunding Revenue Bonds - Outlet Inn	05/19/88	32,357
Retirement Community Refunding Revenue Bond - Williamsburg Landing Inc.	03/01/87	12,382,000
Industrial Development Revenue Bond - MLB Corp.	12/12/85	33,000
Industrial Development Revenue Bond - C & N	12/12/85	950,000
Industrial Development Revenue Bond - Burnt Ordinary	12/12/85	817,000
Industrial Development Revenue Bond - Sixty West	12/19/84	1,942,410
Industrial Development Revenue Bonds - Kubicki	11/28/84	485,376
Industrial Development Revenue Bonds - Lightfoot Motels	03/01/84	510,000
Supplementary Industrial Revenue Bond - Anderson	12/22/82	7,564
Industrial Development Revenue Bonds - Anderson	11/12/81	158,410
Industrial Revenue Note - Mt. Pleasants Association	10/30/81	32,084
		<u>\$ 147,685,788</u>