

AT A MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON NOVEMBER 15, 2000, 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 3:30 p.m.

2. ROLL CALL

A roll call by Secretary Taylor identified the following members present:

Mr. Gilbert Bartlett
Mr. John Berkenkamp
Mr. Vincent Campana, Jr.
Ms. Virginia Hartmann
Mr. Mark Rinaldi

Mr. Sterling Nichols arrived at 3:50 p.m.

ALSO PRESENT

Keith Taylor, Secretary, IDA
Kelly See, Recording Secretary, IDA
Sandra Barner, Project Coordinator, Office of Economic Development
Jim Kennedy, Board of Supervisors
Ann Davis, IDA Treasurer
Sue Mellen, Accounting Supervisor, James City County
Tara Moore, Senior Accountant, James City County
Elizabeth Foster, KPMG, IDA Auditor
Susan St. Amant, KPMG, IDA Auditor

ABSENT

Mr. Jon Nystrom

3. PERSONNEL MATTERS

a. Appoint nominating committee for 2001 officers

Mr. Bartlett reported that he asked Mr. Nichols to serve as Chair of the Nominating

Committee. Mr. Bartlett stated that he would let Mr. Nichols, as the Chair, choose the members of the Committee.

b. IDA Liaison to Williamsburg-James City County Schools Focus Group

Mr. Taylor reported that he and Ms. Barner met with Dr. David Martin, Superintendent of Williamsburg-James City County Schools. He reported that Dr. Martin has would like to have an IDA representative as part of a new Schools Focus Group, which will be charged with looking at school issues such as curriculum. Mr. Taylor stated that he will ask for a representative for the Focus Group at the January meeting of the Authority.

4. APPROVAL OF MINUTES

On a motion by Mr. Berkenkamp and a second by Mr. Rinaldi, the minutes from the September 14, 2000 meeting were approved by unanimous voice vote.

5. FINANCIAL REPORTS

a. Treasurer's and Financial Reports

Ms. Ann Davis, Treasurer for the Authority, and Ms. Sue Mellen, IDA Fiscal Agent, presented the Treasurer's Report and answered questions.

b. Operating and CIP Budget Reports

Ms. Mellen presented the Operating and Capital Projects Budget Reports and answered questions. She explained the new format for the financial reports and asked for feedback from the Directors on the new format. Mr. Berkenkamp requested as part of the report a bridge between Fiscal Year 2000 and Fiscal Year 2001 to explain expenditures appearing on the Treasurer's Report but not appearing on the Operating Budget Report. Mr. Campana requested footnotes on the reports with details about expenditures of large amounts. Ms. Hartmann requested a notation on the Capital Projects Report to indicate project-to-date status. At the end of the meeting, Ms. Mellen presented an addendum to the financial reports with the requested bridge between FY00 and FY01. On a motion by Mr. Berkenkamp and a second by Mr. Campana, the July/August and September/October Treasurer's, Operating and CIP Financial Reports, with addendum, were approved by unanimous voice vote.

c. Fiscal Year 2000 Audit Presentation

Ms. Susan St. Amant of KPMG gave a brief summary of the IDA's annual audit. She reported that the audit was clean and there were no issues to report. On a motion by Mr. Berkenkamp and a second by Mr. Nichols, the annual audit was accepted by unanimous

voice vote.

6. ACTION ITEMS

a. Adopt meeting calendar for 2001

Mr. Taylor presented a proposed meeting calendar for the year 2001 to the IDA. Ms. Hartmann stated that the proposed meeting calendar presented a conflict for her, as well as for Mr. Nichols and Mr. Nystrom. Mr. Taylor stated that he would investigate the possibility of meeting on the fourth Thursday of every other month. He suggested the next meeting of the Authority be held on January 18, 2001 at 3:30 p.m. in the Building C Board Room. All Directors present agreed. A revised meeting calendar will be presented for adoption at the January meeting.

7. PRESENTATIONS

None.

2. REPORTS

a. BOS Liaison to IDA

Mr. Kennedy reported on a presentation to the Board of Supervisors on the aging population in the area and related issues affecting the local economy. He stated he had copies of the report for anyone who wanted to look it. Mr. Kennedy reported that the Board of Supervisors has reached an agreement with Newport News for them to sell James City County processed water. He reported that a legislative session was held recently and went well. He stated that a budget session will be held Saturday with the Board of Supervisors to look at next year's budget.

b. Planning Commission Liaison

Mr. Rinaldi reported that a plan for an affordable housing project on Ironbound Road was brought before the Planning Commission. He reported that the Planning Commission met with the Board of Supervisors to discuss the County's Comprehensive plan. He stated that the Planning Commission representatives think the Comprehensive Plan does not need adjusting. He stated that Mr. Kennedy put together a paper with issues that a new comprehensive plan might address and one of those issues was transit and light rail. He stated that local businesses are having difficulty getting employees to the area and that the county needs a plan for light rail.

c. Peninsula Alliance for Economic Development

Mr. Nystrom was not present. No report.

d. Research & Technology District Task Force

Mr. Campana reported that the Research and Technology District Task Force made a presentation to the Board of Supervisors on its findings. He stated that the Board had some good comments. Mr. Campana recommended that this should be an IDA initiative. Mr. Bartlett proposed that the IDA through the Office of Economic Development propose to the County Administrator that the next step is an RFP for a consultant to determine the feasibility of Research and Technology as an initiative in the County.

f. Economic Development Initiatives

Mr. Rinaldi and Mr. Bartlett reported that there had been no new developments since the last meeting.

9. REPORTS OF THE ECONOMIC DEVELOPMENT STAFF

a. Shell Building #2 Consultant RFP

Mr. Taylor reported that four proposals were received in response to the RFP. He stated that the Evaluation Committee met and two of the bidders have been invited for 45 minute interviews to discuss pricing and to discuss methodology for a market analysis. Mr. Bartlett requested that Mr. Taylor put together a synopsis of the Shell Building Consultant proposal to distribute to the Directors so that a straw vote can be taken.

10. OTHER BUSINESS

a. Welcome Reception for New School Superintendent Dr. David Martin Nov. 20

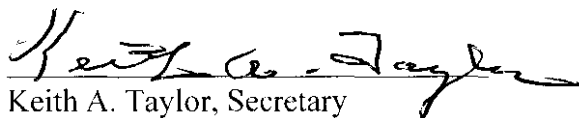
Mr. Bartlett reminded everyone of the reception for Dr. Martin to be held November 20 and asked if everyone would be able to attend. Mr. Rinaldi said that he would not be able to attend.

11. ADJOURNMENT

There being no further business Chairman Bartlett entertained a motion from Mr. Berkenkamp to adjourn. The motion was seconded by Mr. Campana and approved by unanimous voice vote. The meeting was adjourned at 5:06 p.m.



Gilbert A. Bartlett, Chairman



Keith A. Taylor, Secretary

**Treasurer's Report
Industrial Development Authority
September-October 2000**

Rev Code	Revenue Source	Prior Collections	Collected this period	Collected to Date
021-325-0100	Lease Income	\$0.00	\$0.00	\$0.00
021-325-0200	Interest on Available Cash	\$1,031.91	\$824.98	\$1,856.89
021-325-0600	General Fund Contribution	\$136,967.76	\$750.12	\$137,717.88
021-325-0400	Bond Fee Revenue	\$0.00	\$0.00	\$0.00
021-325-0500	Land Contract Payment Revenue	\$0.00	\$0.00	\$0.00
021-325-0250	Misc Revenue	\$0.00	\$0.00	\$0.00
	Expense Reimbursement	\$0.00	\$0.00	\$0.00
	Total receipts this period		\$1,575.10	
	Fiscal Year Receipts			\$139,574.77
	Bank balance June 30, 2000			\$161,900.15
	Total Receipts			\$301,474.92
	Disbursements this Period	\$2,798.92		
	Previous disbursements	\$197,196.37		
	Total disbursements to Date			\$199,995.29
	Bank balance October 31, 2000			<u>\$101,479.63</u>

**INDUSTRIAL DEVELOPMENT AUTHORITY
EXPENDITURES**

09-Nov-00

James City County

IDA: Year (2001) Period (4)

Ledger ID	Ledger Description	Beg Budget	September	October	Total YTD Exp	Balance
	OPERATING EXPENSES					

021-010-0205	PROMOTION	\$24,000.00	\$0.00	\$392.80	\$392.80	\$23,607.20
021-010-0210	INSURANCE	\$650.00	\$0.00	\$0.00	\$0.00	\$650.00
021-010-0219	TELEPHONE	\$600.00	\$0.00	\$0.00	\$9.30	\$590.70
021-010-0220	TRAVEL & TRAINING	\$2,000.00	\$0.00	\$0.00	\$0.00	\$2,000.00
021-010-0232	JAMES RIVER COMMERCE CTR - OPS	\$4,500.00	\$0.00	\$0.00	\$0.00	\$4,500.00
021-010-0233	SHELL BUILDING - OPS	\$3,000.00	\$0.00	\$1,370.12	\$4,790.84	(\$1,790.84)
021-010-0235	ANNUAL AUDIT	\$4,500.00	\$0.00	\$1,025.00	\$4,100.00	\$400.00
021-010-0245	MAINLAND FARM - OPER EXPENSES	\$100.00	\$5.50	\$5.50	\$16.50	\$83.50
021-010-0300	ADVERTISING	\$1,000.00	\$0.00	\$0.00	\$0.00	\$1,000.00
021-010-0319	OFFICE SUPPLIES & EQUIPMENT	\$600.00	\$0.00	\$0.00	\$0.00	\$600.00
021-010-0398	OED DISCRETIONARY EXPENDITURES	\$1,500.00	\$0.00	\$0.00	\$0.00	\$1,500.00
	Total Operating Expenses	\$42,450.00	\$5.50	\$2,793.42	\$9,309.44	\$33,140.56
	CAPITAL EXPENSES					

021-010-0405	CAPITAL EXPENDITURES	\$0.00	\$0.00	\$0.00	\$130,680.00	(\$130,680.00)
	Total Capital Expenses	\$0.00	\$0.00	\$0.00	\$130,680.00	(\$130,680.00)
	CAPITAL PROJECTS FUND					

021-011-0200	JRCC	\$168,626.00	\$0.00	\$0.00	\$0.00	\$168,626.00
021-011-0300	ECONOMIC DEVELOPMENT	\$2,145,000.00	\$0.00	\$0.00	\$1,526,641.26	\$618,358.74
021-011-0350	INDUSTRIAL PROP/INFRASTRUCTURE	\$2,496,535.00	\$0.00	\$0.00	\$0.00	\$2,496,535.00
021-011-0400	SHELL INDUSTRIAL BLDG FUND	\$92,760.80	\$0.00	\$750.12	\$750.12	\$92,010.68
	Total Capital Projects Fund	\$4,902,921.80	\$0.00	\$750.12	\$1,527,391.38	\$3,375,530.42



2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

September 1, 2000

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 (the Authority) as of and for the year ended June 30, 2000, and have issued our report thereon dated September 1, 2000. 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 2000. 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.



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The Members of the Industrial
Development Authority of
James City County, Virginia
September 1, 2000
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One prior period adjustment was made to capitalize \$330,000 which represented a payment on an option/purchase agreement to purchase land from an unrelated party. Due to the uncertainty of the exercise of the option, this amount was originally recorded as an expense.

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.

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 and is not intended to be, and should not to be, used by anyone other than this specified party.

Very truly yours,

KPMG LLP



2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Telephone 757 616 7000
Fax 757 616 7133

May 25, 2000



PRIVATE AND CONFIDENTIAL

Mr. Gilbert A. Bartlett, Chairman
Industrial Development Authority of
James City County
P.O. Box 8784
Williamsburg, Virginia 23187

Dear Mr. Bartlett:

This letter will confirm KPMG LLP's (KPMG) understanding of our engagement to report upon our audit of the balance sheet of the Industrial Development Authority of James City County (the IDA) as of June 30, 2000, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the year then ended.

We will conduct the audit in accordance with generally accepted auditing standards with the objective of expressing an opinion as to whether the presentation of the financial statements, taken as a whole, conforms with generally accepted accounting principles. In conducting the audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by management, as well as evaluate the overall financial statement presentation.

Our report will be addressed to the members of the Industrial Development Authority of James City County, Virginia (the Members). We can not provide assurance that an unqualified opinion will be rendered. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. In such circumstances, our findings or reasons for withdrawal will be communicated to the members.

The IDA agrees that all records, documentation, and information we request in connection with our audit will be made available to us, that all material information will be disclosed to us, and that we will have the full cooperation of the IDA's personnel. As required by generally accepted auditing standards, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements.





*Mr. Gilbert A. Bartlett, Chairman
Industrial Development Authority of James City County
May 25, 2000
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Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any unrecorded misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Because of the importance of management's representations to the effective performance of our services, the IDA agrees to release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above.

The management of IDA has responsibility for the financial statements and all representations contained therein. Management also has responsibility for the adoption of sound accounting policies and the implementation of record keeping and internal control to maintain the reliability of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements.

An audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Therefore, there is a risk that material errors, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit performed in accordance with generally accepted auditing standards. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

To the extent that they come to our attention, we will inform management about any material errors and any instances of fraud or illegal acts. Further, to the extent that they come to our attention, we will inform the members about fraud and illegal acts that involve senior management, fraud that in our judgment causes a material misstatement of the financial statements of the IDA, and illegal acts, unless clearly inconsequential, that have not otherwise been communicated to the members.

In planning and performing our audit, we will consider the IDA's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. While we are not being engaged to report on the IDA's internal control, we will communicate reportable conditions to you to the extent they come to our attention. Reportable conditions are significant deficiencies in the design or operation of internal control which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Based upon our discussions with management and representations as to the level of assistance the IDA will provide, we estimate that our fee will approximate \$4,100. Circumstances



Mr. Gilbert A. Bartlett, Chairman
Industrial Development Authority of James City County
May 25, 2000
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encountered during the performance of the audit that warrant additional time or expense could cause us to be unable to complete the audit within the above estimate. We will endeavor to notify you of any such circumstances as they are assessed. We propose billing our audit fee in four installments as follows:

<u>Amount</u>	<u>Billing Period</u>
1,025	June 1, 2000
1,025	July 1, 2000
1,025	August 1, 2000
1,025	upon delivery of report

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Elizabeth P. Foster
Partner



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

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

Financial Statements

June 30, 2000

(With Independent Auditors' Report Thereon)

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

Authority Officials

June 30, 2000

Board Members

Gilbert A. Bartlett.....Chairman

Vincent A. Campana, Jr. Vice Chairman

John Berkenkamp

Mark G. Rinaldi

Sterling M. Nichols

Jon A. Nystrom

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, 2000, 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, 2000 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 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

September 1, 2000



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

Balance Sheet

June 30, 2000

Assets

Current Assets:		
Cash (note 2)	\$	161,900
Due from James City County		<u>5,878</u>
Total current assets		167,778
Land (notes 6 and 8)		2,608,122
Notes receivable (note 5)		<u>91,780</u>
Total assets	\$	<u><u>2,867,680</u></u>

Liabilities and Retained Earnings

Current Liabilities:		
Accounts payable	\$	63,349
Current portion of note payable (note 6)		<u>60,000</u>
Total current liabilities		123,349
Note payable (note 6)		<u>1,140,000</u>
Total liabilities		1,263,349
Retained earnings		<u>1,604,331</u>
Total liabilities and retained earnings	\$	<u><u>2,867,680</u></u>

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, 2000

Operating revenues:	
County contribution	\$ 1,057,776
Gain on sale of property	359,153
Bond fees	15,567
Lease income	2,575
Total operating revenues	1,435,071
Operating expenses:	
Payment to County	2,399,735
Community development (note 7)	291,215
Performance agreement payments	60,000
Enterprise zone grants	34,601
Note forgiveness (note 5)	33,862
Advertising	23,266
Miscellaneous	5,181
Professional fees	4,000
Travel and training	759
Total operating expenses before depreciation	2,852,619
Depreciation	47,137
Total operating expenses	2,899,756
Operating loss	(1,464,685)
Nonoperating revenues -	
Interest income	6,588
Net loss	(1,458,097)
Retained earnings at beginning of year	2,732,428
Prior period adjustment - exercise of land purchase option (note 8)	330,000
Retained earnings at beginning of year, as restated	3,062,428
Retained earnings at end of year	\$ 1,604,331

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2000

Cash flows from operating activities:	
Operating loss	\$ (1,464,685)
Adjustment to reconcile operating loss to cash used in operating activities:	
Gain on sale of property	(359,153)
Depreciation	47,137
Loan forgiveness (note 5)	33,862
Changes in assets and liabilities:	
Due from James City County	994,122
Accounts payable	(935,676)
	<u>(1,684,393)</u>
Net cash used in operating activities	
Cash flows from capital and capital related financing activities:	
Proceeds from issuance of notes payable	1,200,000
Purchase of fixed assets	(1,907,641)
Proceeds from the sale of fixed assets	2,399,735
	<u>1,692,094</u>
Net cash provided by capital and capital related financing activities	
Cash flows provided by investing activities -	
Interest received	<u>6,588</u>
Increase in cash	14,289
Cash at beginning of year	<u>147,611</u>
Cash at end of year	<u>\$ 161,900</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2000

(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, 2000

(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 follows: Building and Improvements - 40 years. As of June 30, 2000, the Authority's fixed assets consist primarily of land as all buildings and related improvements were sold during 2000.

When fixed assets 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.

(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 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.

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.

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

Notes to Financial Statements

June 30, 2000

(2) Cash

The carrying value of the Authority's deposits with banks was \$161,900 at June 30, 2000. 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.

(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, 2000, there were 22 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$144 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, 2000. In addition, certain personnel costs in 2000 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 2000, the Authority forgave \$33,862 related to these notes.

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

Notes to Financial Statements

June 30, 2000

(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:

2001	\$	60,000
2002		60,000
2003		60,000
2004		60,000
2005		60,000
Thereafter		<u>900,000</u>
	\$	<u><u>1,200,000</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 \$288,447 was paid by the Authority related to this agreement in December 1999 and is included in community development expenses. This agreement expires December 31, 2000 and is not renewable.

(8) Prior Period Adjustment – Exercise of Land Purchase Option

During 1998, the Authority entered into a two-year option/purchase agreement in the amount of \$330,000 to purchase land from an unrelated party. The payment was included in expenses during the year ended June 30, 1998 due to the uncertainty of the exercise of the option. In August 1999, the Authority exercised its option to purchase the land. In accordance with the option/purchase agreement, upon exercise of the option, the option amount was applied to the purchase price of the land.

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

Schedule of Revenue Bonds Outstanding (Unaudited)

June 30, 2000

Bond	Date issued	Balance June 30, 2000
Industrial Development Revenue Bond - Avid Medical	10/01/98	\$ 1,850,000
Industrial Development Revenue Bond - Greystone	09/23/98	5,850,000
Industrial Development Revenue Bond - Barre Co.	03/06/98	2,009,806
Industrial Development Revenue Bond - DYARRCC	09/01/97	2,281,047
Revenue Bond, Series A 1997 - Williamsburg Landing Inc.	10/01/97	40,017,000
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	24,944,989
Refunding Revenue Bonds - Olde Towne Square	05/19/89	200,000
Private Activity Revenue Bonds - Williamsburg Winery	09/20/88	476,000
Refunding Revenue Bonds - Outlet Inn	05/19/88	290,482
Retirement Community Refunding Revenue Bond - Williamsburg Landing Inc.	03/01/87	13,929,750
Industrial Development Revenue Bond - MLB Corp.	12/12/85	231,000
Industrial Development Revenue Bond - C & N	12/12/85	1,050,000
Industrial Development Revenue Bond - Burnt Ordinary	12/12/85	903,000
Industrial Development Revenue Bond - Sixty West	12/19/84	1,993,377
Industrial Development Revenue Bonds - Kubicki	11/28/84	579,115
Industrial Development Revenue Bonds - Lightfoot Motels	03/01/84	615,000
Supplementary Industrial Revenue Bond - Anderson	12/22/82	12,606
Industrial Development Revenue Bonds - Anderson	11/12/81	168,207
Industrial Revenue Note - Mt. Pleasants Association	10/30/81	67,084
		<u>\$ 143,668,463</u>