

**VALDOSTA-LOWNDES COUNTY
INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF
LOWNDES COUNTY, GEORGIA**

Annual Financial Report

For the Year Ended June 30, 2010

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
TABLE OF CONTENTS
For the Year Ended June 30, 2010

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	4
Statement of Revenues, Expenses, and Changes in Fund Net Assets	5
Statement of Cash Flows.....	6-7
Notes to Financial Statements	8-16
COMPLIANCE SECTION	
Reports Required by <i>Government Auditing Standards</i>:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Schedule of Financial Statement Findings	19

INDEPENDENT AUDITORS' REPORT

To the Authority Members
Valdosta – Lowndes County Industrial Authority
Valdosta, Georgia

We have audited the accompanying financial statements of the business-type activities of the Valdosta – Lowndes County Industrial Authority, a component unit of Lowndes County, Georgia, as of and for the year ended June 30, 2010, which comprise the Authority's basic component unit financial statements as listed in the table of contents. These component unit financial statements are the responsibility of the management of the Valdosta – Lowndes County Industrial Authority. Our responsibility is to express opinions on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Valdosta – Lowndes County Industrial Authority, as of June 30, 2010, and its changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 on our consideration of the Valdosta – Lowndes County Industrial Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bowen Phillips, LLP

December 27, 2010

Management's Discussion and Analysis

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

Valdosta – Lowndes County Industrial Authority
A Component Unit of Lowndes County, Georgia
Management's Discussion and Analysis
For The Year Ended June 30, 2010

Management's Discussion and Analysis

Our discussion and analysis of the Valdosta – Lowndes County Industrial Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Authority's financial statements, which begin on page 4.

Financial Highlights

During the year, the Authority had \$3,290,039 in revenues that exceeded expenses of \$2,024,484 by \$1,265,555. Last year's expenses exceeded revenues by \$2,043,538.

The Authority's revenues decreased by \$906,476 compared to those of the prior year. This decrease primarily came from amounts received from other governments.

Total Authority expenses decreased by \$128,493 over those of the prior year. This change was primarily caused by an decrease of \$152,998 in interest expense.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows (on pages 4 - 7) provide information about the activities of the Authority as a whole, and present a longer-term view of the Authority's finances.

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Authority and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's *net assets* and changes in them. You can think of the Authority's net assets, the difference between assets and liabilities, as one way to measure the Authority's financial health, or *financial position*. Over time, *increases or decreases* in the Authority's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Contacting The Authority's Financial Management

This financial report is designed to provide the citizens and taxpayers of Valdosta and Lowndes County, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority at 2110 North Patterson Street, Valdosta, GA, 31602.

Basic Financial Statements

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,774,347
Investment in direct financing lease	77,355
Total current assets	<u>2,851,702</u>
Non - current assets	
Investment in direct financing lease (net)	670,631
Land purchase option	77,000
Restricted assets - cash	7,101,989
Restricted assets - bond sinking fund	615,792
Bond issuance costs (net)	410,250
Capital assets:	
Land	11,573,736
Depreciable capital assets, net of accumulated depreciation	<u>4,521,869</u>
Total non - current assets	24,971,267
Total assets	<u>\$ 27,822,969</u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 491,453
Accrued expenses	200,575
Current portion of bonds payable	965,000
Current portion of long - term debt	<u>81,967</u>
Total current liabilities	1,738,995
Bonds payable, net of current portion	16,060,478
Long - term debt, net of current portion	<u>378,438</u>
Total liabilities	<u>\$ 18,177,911</u>
 NET ASSETS	
Invested in capital assets, net of related debt (deficit)	\$ (1,390,278)
Restricted for debt service	515,072
Unrestricted	<u>10,520,264</u>
Total net assets	<u>\$ 9,645,058</u>

See accompanying notes to financial statements.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
For the Year Ended June 30, 2010

OPERATING REVENUES	
Property taxes	\$ 3,018,366
Other income	412
Total operating revenues	3,018,778
OPERATING EXPENSES	
Salaries	284,283
Automobile expense	5,698
Employee benefits	38,486
Occupancy and telephone expenses	68,889
Professional services	82,403
Economic development and promotion	465,215
Insurance	8,102
Payroll taxes	21,999
Depreciation and amortization	319,475
Supplies and postage	15,375
Repairs and maintenance	10,115
Dues and subscriptions	4,014
Professional development	14,020
Park maintenance and improvements	45,680
Other operating expenses	2,119
Total operating expenses	1,385,873
Operating income (loss)	1,632,905
NON - OPERATING	
INCOME (EXPENSES)	
Interest income	238,488
Interest expense	(638,611)
Gain (loss) on disposal of capital assets	32,773
Change in net assets	1,265,555
Net assets , beginning of year (restated)	8,379,503
Net assets , end of year	\$ 9,645,058

See accompanying notes to financial statements.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating receipts	\$ 3,093,369
Cash payments to employees	(284,283)
Cash payments to suppliers	<u>(589,444)</u>
Net cash provided (used) by operating activities	<u>2,219,642</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Proceeds from sale of assets	79,651
Acquisition and construction of capital assets	(8,241,477)
Purchase of land purchase option	(25,000)
Principal payments on long - term debt	(881,072)
Interest paid	<u>(815,261)</u>
Net cash provided (used) by capital and related financing activities	<u>(9,883,159)</u>

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Interest received	<u>238,488</u>
Net cash provided (used) by investing activities	<u>238,488</u>
Net increase (decrease) in cash and cash equivalents	(7,425,029)
Cash and cash equivalents, beginning of year	<u>17,917,157</u>
Cash and cash equivalents, end of year	<u>\$ 10,492,128</u>

Classified as:

Cash and cash equivalents	2,774,347
Restricted assets - cash	7,101,989
Restricted assets - bond sinking fund	<u>615,792</u>
	<u>\$ 10,492,128</u>

See accompanying notes to financial statements.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

**RECONCILIATION OF NET OPERATING
INCOME TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES**

Operating income (loss)	\$	1,632,905
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		319,475
Changes in assets and liabilities:		
(Increase) decrease in:		
Investment in direct financing lease		74,591
Increase (decrease) in:		
Accounts payable		(6,395)
Accrued expenses		199,066
Net cash provided (used) by operating activities	\$	<u>2,219,642</u>

See accompanying notes to financial statements.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Valdosta-Lowndes County Industrial Authority have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989 unless those pronouncements are inconsistent with GASB pronouncements. The Authority has chosen to apply FASB pronouncements issued after that date to its business-type activities. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Valdosta-Lowndes County Industrial Authority is a political subdivision created by the State of Georgia Legislature to stimulate growth in the Valdosta-Lowndes County area. The Authority's revenues are derived primarily from contributions by local governments and by the sale of land in the industrial development parks owned by the Authority.

The members of the Industrial Authority are appointed by both the City Council of the City of Valdosta and the Lowndes County Board of Commissioners. Primary operating funding, as well as guarantees for certain bonds, comes from the Lowndes County Board of Commissioners and accordingly, the Authority is considered to be economically dependent on Lowndes County.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Operating revenues are those revenues that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to primary operations. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

Cash and cash equivalents, as reported in the statement of cash flows, includes amounts in demand deposits, amounts with fiscal agents and investments with an original maturity of three months or less.

Restricted Assets

Proceeds from certain revenues and other resources are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by applicable statutes or agreements.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include land improvements and equipment. The Authority has set the capitalization threshold at \$500 for reporting capital assets. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Land improvements	15 – 30 years
Equipment	5 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

The Authority adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 855-10, Subsequent Events effective June 30, 2009. FASB ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Authority has performed an evaluation of subsequent events, as defined under FASB ASC 855-10, through December 27, 2010, which is the date the financial statements were available to be issued.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE B – DEPOSITS

I. Cash on Deposit

The Authority's deposits include cash on deposit with financial institutions. Cash equivalents subject to federal and state depository insurance are classified as deposits. For cash deposits, the bank balance is classified into three categories of credit risk:

- 1) Cash that is insured or collateralized with securities held by the government or by its agent in the government's name.
- 2) Cash collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.
- 3) Cash collateralized with securities held by the pledging financial institution's trust department or agent, but not in the government's name, or uncollateralized.

The Georgia Code requires that depository institutions collateralize cash deposits of public funds. Depositories of public funds may secure deposits by the insurance of the F.D.I.C., pledged securities, or a combination of these methods. The market value of pledged securities shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.

As of June 30, 2010, the carrying amount of the Authority's deposits was \$10,492,128 and the bank balance was \$10,539,974. The deposits were classified as follows:

	<i>Category</i>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Bank balance	\$ 616,009	\$ 9,923,965	\$ --	\$ 10,539,974

II. Reconciliation of Cash to Financial Statement Presentation

A reconciliation of cash as shown above to the corresponding amounts show on the Statement of Net Assets is as follows:

Cash and cash equivalents	\$ 2,774,347
Restricted assets - cash	7,101,989
Restricted assets – bond sinking fund	<u>615,792</u>
Total	<u>\$ 10,492,128</u>

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE C – DIRECT FINANCING LEASE

The Authority leases land located in the Valdosta-Lowndes County Industrial Park to American Drill and Bushing, under a direct financing lease agreement dated April 15, 2003. The lease calls for a monthly rental amount of \$8,611. The term of the lease is for 15 years.

The following lists the components of the net investment in direct financing leases as of June 30, 2010:

	<u>June 30, 2010</u>
Total minimum lease payments to be received	\$ 869,663
Less unearned income	<u>(121,677)</u>
Net investment in direct financing lease	747,986
Less current portion	<u>(77,355)</u>
	\$ <u>670,631</u>

The future minimum lease payments to be received under the lease are as follows:

<u>Year Ending June 30</u>	<u>Payment</u>
2011	\$ 103,332
2012	103,332
2013	103,332
2014	103,332
2015	103,332
Thereafter	<u>353,003</u>
Total minimum lease payments to be received	\$ <u>869,663</u>

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE D – BOND ISSUANCE COSTS

Deferred costs consisted of bond issuance costs in the amount of \$410,250, net of accumulated amortization of \$45,576, at June 30, 2010. Amortization expense for the year ended June 30, 2010 was \$30,384. Estimated amortization expense for each of the next five fiscal years and thereafter is as follows:

Year Ending December 31,	Amount
2011	\$ 30,384
2012	30,384
2013	30,384
2014	30,384
2015	30,384
Thereafter	<u>258,330</u>
	<u>\$ 410,250</u>

NOTE E – CAPITAL ASSETS

The following is a summary of capital assets for the fiscal year ended June 30, 2010.

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets, not being depreciated				
Land	\$ 3,427,389	\$ 8,193,225	\$ (46,878)	\$ 11,573,736
Total capital assets not being depreciated	<u>3,427,389</u>	<u>8,193,225</u>	<u>(46,878)</u>	<u>11,573,736</u>
Other capital assets				
Land improvements	8,081,087	15,303	--	8,096,390
Equipment	230,361	32,949	(20,820)	242,490
Total other capital assets	<u>8,311,448</u>	<u>48,252</u>	<u>(20,820)</u>	<u>8,338,880</u>
Less accumulated depreciation for				
Land improvements	(3,349,997)	(269,468)	--	(3,619,465)
Equipment	(198,743)	(19,623)	20,820	(197,546)
Total accumulated depreciation	<u>(3,548,740)</u>	<u>(289,091)</u>	<u>20,820</u>	<u>(3,817,011)</u>
Other capital assets, net	<u>4,762,708</u>	<u>(240,839)</u>	<u>--</u>	<u>4,521,869</u>
Capital assets, net	<u>\$ 8,190,097</u>	<u>\$ 7,952,386</u>	<u>\$ (46,878)</u>	<u>\$ 16,095,605</u>

Depreciation expense was \$289,091 for the year ended June 30, 2010.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE F – LONG TERM DEBT

I. Changes in Long Term Liabilities

The following is a summary of long-term debt activity for the year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 541,477	\$ --	\$ (81,072)	\$ 460,405	\$ 81,967
Bonds payable	17,825,478	--	(800,000)	17,025,478	965,000
Long term liabilities	\$ 18,366,955	\$ --	\$ (881,072)	\$ 17,485,883	\$ 1,046,967

II. Note Payable

The Authority has a long-term indebtedness secured by real estate and the direct financing lease detailed in Note C. This note was created in 2003, in the amount of \$1,100,000. It is payable monthly in the amount of \$8,347, for a term of 15 years, and has an interest rate of 4.3%. At June 30, 2010, the outstanding balance of the note payable was \$460,405.

The annual debt service requirement to maturity of the note payable at June 30, 2010 is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 81,967	\$ 18,195	\$ 100,162
2012	85,562	14,600	100,162
2013	89,315	10,847	100,162
2014	93,232	6,930	100,162
2015	97,321	2,841	100,162
2016	13,008	63	13,071
	\$ 460,405	\$ 53,476	\$ 513,881

III. Bonds Payable

1996 Series Revenue Bonds

In August 1996, the Valdosta-Lowndes County Industrial Authority issued bonds in the amount of \$5,000,000 to finance the acquisition and development of industrial sites in Lowndes County, Georgia. The revenue bonds have a maturity date of January 1, 2017. The bonds have a floating interest rate based on a percentage of the London Interbank Offer Rate. The bonds were payable “interest only” until January 1, 1999, after which, annual payments of principal were due. The bonds are secured by an “inter-governmental” funding agreement between the Valdosta-Lowndes County Industrial Authority and Lowndes County, Georgia. At June 30, 2010, the outstanding balance of the bonds payable was \$2,545,478.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE F – LONG TERM DEBT (CONTINUED)

The annual debt service requirement to maturity of the revenue bond payable at June 30, 2010 is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 300,000	\$ 137,456	\$ 437,456
2012	320,000	121,256	441,256
2013	345,000	103,976	448,976
2014	370,000	85,346	455,346
2015	395,000	65,366	460,366
2016-2017	815,478	65,392	880,870
	<u>\$ 2,545,478</u>	<u>\$ 578,792</u>	<u>\$ 3,124,270</u>

2008 Series Revenue Bonds

In December, 2008, the Valdosta-Lowndes County Industrial Authority issued bonds in the amount of \$15,000,000 to finance acquisition and development of industrial sites in Lowndes County, Georgia. The bonds are secured by an “inter-governmental” funding agreement between the Valdosta-Lowndes County Industrial Authority and Lowndes County, Georgia. At June 30, 2010, the outstanding balance of the bonds payable was \$14,480,000. The revenue bonds have various maturity dates and bear interest as follows:

Bond Maturity	Rate	Principal Amount
2011	4.05%	\$ 665,000
2012	5.45%	700,000
2013	5.75%	740,000
2014	6.95%	780,000
2015	6.95%	835,000
2016-2019	6.95%	3,970,000
2020-2024	7.50%	6,790,000

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE F – LONG TERM DEBT (CONTINUED)

The annual debt service requirement to maturity of the revenue bond payable at June 30, 2010 is as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 665,000	\$ 1,011,690	\$ 1,676,690
2012	700,000	978,108	1,678,108
2013	740,000	939,958	1,679,958
2014	780,000	897,408	1,677,408
2015	835,000	843,196	1,678,196
2016-2020	5,140,000	3,259,320	8,399,320
2021-2024	5,620,000	1,092,000	6,712,000
	<u>\$ 14,480,000</u>	<u>\$ 9,021,680</u>	<u>\$ 23,501,680</u>

Under the provisions of the 2008 Bond Issue, funds are required to be carried to a bond sinking fund for the repayment of the 2008 bond principal and interest. The following is a schedule of Bond Sinking Fund required payments:

Year Ending June 30	Payment
2011	\$ 2,062,699
2012	2,069,833
2013	2,081,683
2014	2,074,703
2015	2,092,182
Thereafter	15,660,118

Under the provisions of the 2008 Bond Issue, purchases of land and related development expenses from the proceeds of the 2008 Bond Issue must be approved by the Lowndes County Commission. As of June 30, 2010, \$7,101,989 of bond proceeds was shown as "Restricted Cash" on the Authority's Statement of Net Assets.

During the year ended June 30, 2010 interest was paid on the 1996 Series Bonds and the 2008 Series Bonds in the amount of \$815,261.

NOTE G – CONDUIT DEBT OBLIGATIONS

The Authority periodically makes loans and issues bonds to industries as an incentive for location or expansion in the Valdosta, Georgia, Lowndes County area. These loans are secured by leases, land, and buildings in the industrial development parks owned by the Authority and are sold to various area financial institutions without recourse. At June 30, 2010, the Authority was not directly or contingently liable for any loans of this nature. Accordingly, the debt outstanding is not reported as a liability in these financial statements. As of June 30, 2010, the aggregate principal amount payable could not be determined.

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

NOTE H – COMMITMENTS AND CONTINGENT LIABILITIES

In May 2001, the Authority entered into an agreement with Regal Marine to provide incentives to Regal Marine to acquire property in the Azalea City Industrial Park. Under the terms of this agreement, the Authority made the following financial commitments:

The Authority agreed to obtain a grant through the State of Georgia, One Georgia program in the amount of \$1,500,000 and make the proceeds available to Regal Marine for the purchase of the property. This grant was obtained and the property purchased.

The Authority agreed to reimburse up to \$300,000 to Regal Marine for relocation and training expenses. This reimbursement was paid upon receipt of documentation substantiating the expenses.

Also, the Authority agreed to reimburse Regal Marine for increases in ad valorem taxes caused by changes in the valuation methods used by Lowndes County. Ad valorem tax changes due to tax rate increases are not covered by this agreement. There were no payments made under this agreement during the year ended June 30, 2010.

In January 2010 the Authority entered into an agreement with PCA to assist the company in this expansion of its facilities located in Lowndes County. Part of the assistance provided was in the form of a \$250,000 commitment towards the improvement of infrastructure on the property. As of June 30, 2010, \$200,000 of this commitment was still outstanding. Prior to the date of this report, the full commitment had been satisfied.

NOTE I – LAND PURCHASE OPTION

In April 2009, the Industrial Authority entered into an option to purchase 22.2 acres of land for \$440,000. The original term of the option ended April 14, 2010 but has been extended until March 14, 2011. The land purchase is contingent on the rezoning of the property and the obtaining by the Authority of a commitment from a specific prospect to move forward with an industrial development project on the site.

As of the date of this report, the property zoning has been resolved but the commitment from the specific prospect has not been obtained and the option has not been exercised.

NOTE J – EMPLOYEE BENEFIT PLANS

The Authority has a simplified employee pension (SEP) plan which covers all eligible employees meeting certain age, salary and service requirements. Contributions to the plan are set each year by management and approved by the Board of Directors. Contributions charged to operating expense were \$19,100 for the year ended June 30, 2010.

NOTE K – CORRECTION OF ERROR IN PRIOR-PERIOD

Certain errors resulting in an overstatement of the previously reported restricted assets - bond sinking fund balance were discovered during the current year. An adjustment of \$420,122 was made to reduce the restricted assets - bond sinking fund balance as of June 30, 2009.

Accordingly, the Authority has restated its previously reported net assets as follows:

Net Assets at June 30, 2009, as previously reported	\$ 8,799,625
Adjustment to reduce bond sinking fund balance	<u>(420,122)</u>
Net Assets at June 30, 2009, as restated	<u>\$ 8,379,503</u>



Other Reports

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To Valdosta-Lowndes County Industrial Authority
Valdosta, Georgia

We have audited the financial statements of the Valdosta-Lowndes County Industrial Authority, a component unit of Lowndes County, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Valdosta-Lowndes County Industrial Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Valdosta-Lowndes County Industrial Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Valdosta-Lowndes County Industrial Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Valdosta-Lowndes County Industrial Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Valdosta-Lowndes County Industrial Authority's financial statements that is more than inconsequential will not be prevented or detected by the Valdosta-Lowndes County Industrial Authority's internal control. We consider the deficiency described in the accompanying schedule of financial statement findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Valdosta-Lowndes County Industrial Authority's internal control. Valdosta-Lowndes County Industrial Authority's response to the findings identified in our audit is described in the accompanying schedule of financial statement findings and responses. We did not audit Valdosta-Lowndes County Industrial Authority's response and, accordingly, we express no opinion on it.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However we consider item 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Valdosta-Lowndes County Industrial Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bowen Phillips, CPA

December 27, 2010
Tifton, Georgia

VALDOSTA-LOWNDES COUNTY INDUSTRIAL AUTHORITY
A COMPONENT UNIT OF LOWNDES COUNTY, GEORGIA
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
For the Year Ended June 30, 2010

FINANCIAL STATEMENT FINDINGS AND RESPONSES

Findings noted on the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

2010 - 1

Criteria:

Duties should be segregated between employees so that the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different personnel.

Condition:

The Valdosta-Lowndes County Industrial Authority is a small entity and has a limited amount of resources and employees. Therefore, the Authority does not have an adequate number of employees to provide for the proper segregation of duties.

Cause of Condition:

Since the Authority is a small entity, it is not financially feasible for the Authority to hire additional employees to provide for an adequate segregation of duties.

Effect of Condition:

The Authority's internal control structure does not contain adequate safeguarding controls provided by segregation of duties that would provide for the prevention or timely detection of unauthorized transactions and unauthorized access to assets that could result in losses that are material to the financial statements.

Response of Management:

Management concurs with this finding and is continually working to improve controls to mitigate the risks associated with this condition.