

# **Danville-Pittsylvania Regional Industrial Facility Authority**

**City of Danville, Virginia  
County of Pittsylvania, Virginia**

## **AGENDA**

**January 12, 2015**

**12:00 P.M.**

**Danville Regional Airport  
Eastern Conference Room  
424 Airport Drive, Danville, Virginia**

### **County of Pittsylvania Members**

**Coy E. Harville, Chairman  
James H. Snead  
Jerry A. Hagerman, Alternate**

### **City of Danville Members**

**Sherman M. Saunders, Vice Chairman  
Fred O. Shanks, III  
J. Lee Vogler, Jr., Alternate**

### **Staff**

**Joseph C. King, City Manager, Danville  
Clarence C. Monday, Pittsylvania County Administrator  
Clement Wheatley, Legal Counsel to Authority  
Susan M. DeMasi, Authority Secretary  
Michael L. Adkins, Authority Treasurer**

## **Danville-Pittsylvania Regional Industrial Facility Authority**

### **1. MEETING CALLED TO ORDER**

### **2. ROLL CALL**

### **3. PUBLIC COMMENT PERIOD**

Members of the public who desire to comment on a specific agenda item will be heard during this period. The Chairman/Vice Chairman of the Authority may restrict the number of speakers. Each speaker shall be limited to a total of three minutes for comments. *[Please note that the public comment period is not a question-and-answer session between the public and the Authority.]*

### **4. APPROVAL OF MINUTES OF THE DECEMBER 8, 2014 MEETING**

### **5. NEW BUSINESS**

- A. Consideration of Resolution No. 2015-01-12-5A, approving a one-year renewal of the lease with Mountain View Farms of Virginia, L.C., a Virginia limited liability company, as tenant, for that certain real property (GPIN 1356-75-8216) of the Authority, containing approximately 30 acres and fronting on Stateline Bridge Road, in the Authority's Mega Park project, in Pittsylvania County, Virginia, for the purpose of planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, at a total rental fee of \$1,200.00; such renewal also includes a 60-day early termination right and right to show the Property to business recruits of the Authority - Coy E. Harville, Chairman
- B. Presentation of Audit of the Authority's financial statements for year ending June 30, 2014 – Norman Yoder, CPA and/or Chris Murray, CPA, Brown Edwards & Company, L.L.P.
- C. Financial Status Report as of December 31, 2014 – Michael L. Adkins, CPA, Authority Treasurer, and Patricia K. Conner, CPA, Danville Senior Accountant
- D. Election and Reappointment of Officers for calendar year 2015
  - 1. Election of Chairman
  - 2. Election of Vice Chairman
  - 3. Reappointment of Secretary from the Authority's staff
  - 4. Reappointment of Treasurer from the Authority's staff

### **6. CLOSED SESSION**

*[During the closed session, all matters discussed shall involve receiving advice from legal counsel, and as such all communications during the closed session shall be considered attorney-client privileged.]*

- A. As permitted by Section 2.2-3711(A)(3) of the Code of Virginia, 1950, as amended, for discussion of the acquisition of real property for development of one of the Authority's projects, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority.

# **Danville-Pittsylvania Regional Industrial Facility Authority**

## **RETURN TO OPEN SESSION**

- B. Confirmation of Motion and Vote to Reconvene in Open Meeting.
- C. Motion to Certify Closed Meeting.

## **7. COMMUNICATIONS FROM:**

Jerry A. Hagerman  
Coy E. Harville  
Sherman M. Saunders  
Fred O. Shanks, III  
James H. Snead  
J. Lee Vogler, Jr.  
Staff

## **8. ADJOURN**

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 4
<b>Meeting Date:</b>	01/12/2015
<b>Subject:</b>	Meeting Minutes
<b>From:</b>	Susan M. DeMasi, Authority Secretary

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### **SUMMARY**

Attached for the Board's approval are the Meeting Minutes from the Monday, December 8, 2014 meeting.

### **ATTACHMENTS**

Meeting Minutes – 12/08/2014

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 8, 2014

The Regular Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority convened at 12:15 p.m. on the above date in the Danville Regional Airport Conference Room, 424 Airport Drive, Danville, Virginia. Present were City of Danville Member Alternate J. Lee Vogler; Vice Chairman Sherman M. Saunders and Fred O. Shanks, III were absent. Pittsylvania County Members present were Chairman Coy E. Harville, James A. Snead and Alternate Jerry A. Hagerman.

City/County staff members attending were: City Manager Joe King, County Administrator Clarence C. Monday, Assistant County Administrator for Planning & Development Gregory Sides, City of Danville Director of Economic Development Telly Tucker, City of Danville Finance Director/Authority Treasurer Michael Adkins, City of Danville Assistant Director of Finance Patricia Conner, Clement Wheatley Attorney Michael Guanzon and Secretary to the Authority Susan DeMasi.

Also present was Dewberry and Davis Project Manager Shawn Harden.

**PUBLIC COMMENT PERIOD**

Bruce Hedrick of Southside Central stated his readers have noted one item in the photos he posted is they love Mr. Snead's Christmas tie.

**APPROVAL OF MINUTES FOR THE OCTOBER 16, 2014 MEETING**

Upon **Motion** by Mr. Snead and **second** by Mr. Vogler, Minutes of the October 16, 2014 meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

**NEW BUSINESS**

**5A. – UPDATE ON EXISTING INDUSTRIES WITHIN THE AUTHORITY'S PROJECTS**

City of Danville Director of Economic Development Telly Tucker gave a brief report to the RIFA board noting that some members attended IKEA's presentation on future expansion plans and a new line is intended for January 2016. Staff does not have specifics as far as capital investment or jobs at this time, but as that information is provided they will update the Board.

**5B. CONSIDERATION OF RESOLUTION 2014-12-08-5B**

Authority Attorney Michael Guanzon explained the goal for 2014 for the Company was 260 jobs; they were very close at 242, leaving a deficit of 18 jobs. Under the terms of the contract, they would have to pay \$208,363.26, but staff believes it would be appropriate to assist the recruit in making next year's goals by pro rating the amount \$208,363.26 with the deficit of 18, which would be \$801.40 per job, which gives the total of \$14,425.20.

Mr. Tucker noted in the Performance Agreement, there was no provision for pro rating the amount. In research, being consistent with the way other grants are structured through both the Tobacco Commission and Governor's Opportunity Fund and other incentive programs, staff believes that it was fair as the company reached 90% of their employment goal, that the incentive should reflect the 90% and they should pay back the remaining 10%.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 8, 2014

Mr. Vogler **moved** adoption of Resolution No. 2014-12-08-5B, *approving a waiver and forbearance of the full repayment amount due to the Authority in connection with the failure of Yorktowne Cabinetry, Inc. ("Yorktowne") to meet its 2014 job target pursuant to that certain Performance Agreement dated April 19, 2005, as amended, in exchange for the payment by Yorktowne to the Authority by December 31, 2014, of a prorated amount equal to \$14,425.20.*

The Motion was **seconded** by Mr. Snead.

Mr. Harville noted he believed this was a good fit for Yorktowne, that pro rating the amount was appropriate and keeping a good relationship between RIFA and the Company.

The **Motion** was carried by the following vote:

VOTE: 3-0  
AYE: Harville, Snead, Vogler (3)  
NAY: None (0)

**5C. FINANCIAL STATUS REPORT AS OF NOVEMBER 30, 2014**

Authority Treasurer Michael Adkins noted Expenditures through November 30, 2014 for the Cane Creek Bonds shows \$2,738.00 spent to ECS Mid-Atlantic for environmental site assessment for 2998 Tom Fork Road. In addition, RIFA received a refund of \$67.00 for taxes paid on the purchase of Cane Creek properties, the Parker, Walter and Dabbs' properties. General Expenditures through November 30 were \$18,930.00; \$6,507.00 to Clement Wheatley for legal expenses related to July and August and \$11,500.00 to Brown, Edwards for the FY14 Audit. Representatives from Brown, Edwards will be at the January RIFA meeting to review the Audit Report. There was also \$192.00 for a title search fee on a property that RIFA did not purchase, \$672.00 for meals and \$59.00 for utilities. Under Mega Park Funding Other than Bonds, there are no expenditures to report. Berry Hill Lot 4, \$30,128.30 was paid to Dewberry for items covered under Amendments 4-6 and \$1,739.00 to Wetland Studies and Solutions. Rent, Interest and Other Income shows several months of expenditures and revenues: the Authority received \$600 in rent from Securitas and paid \$13,346.00 to the Institute for the Hawkins' Building Property Management.

Mr. Snead **moved** to approve the Financial Report as of November 30, 2014 as presented. The Motion was **seconded** by Mr. Vogler and carried by the following vote:

VOTE: 3-0  
AYE: Harville, Snead, Vogler (3)  
NAY: None (0)

**6. CLOSED SESSION**

Mr. Harville noted the Closed Session will be moved to the January meeting and asked for a motion to delete Item 6 from the Agenda.

Mr. Vogler **moved** to delete Item 6 from the Agenda. The Motion was **seconded** by Mr. Snead and carried by the following vote:

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 8, 2014

VOTE: 3-0  
AYE: Harville, Snead, Vogler (3)  
NAY: None (0)

**COMMUNICATIONS**

Board Members wished everyone a Merry Christmas. Mr. Harville thanked the Board for the card, prayers and thoughts during his surgery; it was very much appreciated. Mr. Harville reminded the Board and staff of the Audit report in January. The rezoning application for the lots on Tom Fork Road is being processed by the Pittsylvania County Zoning office. Mr. Harville also thanked the staff for all the work they do.

Mr. Tucker noted he does plan to send a letter requesting an extension to the Tobacco Commission on Special Projects Grants 2491 and 2264; those are for utilities, infrastructure and grading respectively. The letter will explain, due to the permitting process through the U.S. Army Corp of Engineers, staff is asking for an extension on the grants to allow RIFA more time to get a permit and proceed with those items.

Mr. Guanzon noted January will be the normal election process, under the by-laws, for Chairman of RIFA.

There were no further communications from Board and Staff.

MEETING ADJOURNED AT 12:30 P.M.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary to the Authority

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5A
<b>Meeting Date:</b>	01/12/2015
<b>Subject:</b>	Lease renewal with Mountain View Farms of Virginia, L.C.
<b>From:</b>	Coy E. Harville, Chairman

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### **SUMMARY**

Attached for the Board's review and approval is Resolution 2015-01-12-5A approving the one-year renewal of the lease with Mountain View Farms of Virginia, L.C.

### **ATTACHMENTS**

Resolution 2015-01-12-5A

**Resolution No. 2015-01-12-5A**

**A RESOLUTION APPROVING A ONE-YEAR RENEWAL OF THE LEASE WITH MOUNTAIN VIEW FARMS OF VIRGINIA, L.C., A VIRGINIA LIMITED LIABILITY COMPANY, AS TENANT, FOR THAT CERTAIN REAL PROPERTY (GPIN 1356-75-8216) OF THE AUTHORITY, CONTAINING APPROXIMATELY 30 ACRES AND FRONTING ON STATELINE BRIDGE ROAD, IN THE AUTHORITY'S MEGA PARK PROJECT, IN PITTSYLVANIA COUNTY, VIRGINIA, FOR THE PURPOSE OF PLANTING AND HARVESTING SOD, SOYBEANS, AND/OR OTHER COVER CROPS, BUT NOT TOBACCO, AT A TOTAL RENTAL FEE OF \$1,200.00; SUCH RENEWAL ALSO INCLUDES A 60-DAY EARLY TERMINATION RIGHT AND RIGHT TO SHOW THE PROPERTY TO BUSINESS RECRUITS OF THE AUTHORITY**

**WHEREAS**, the Danville-Pittsylvania Regional Industrial Facility Authority (the "**Authority**") is a political subdivision of the Commonwealth of Virginia duly created pursuant to the Virginia Regional Industrial Facilities Act, as amended; and

**WHEREAS**, Mountain View Farms of Virginia, L.C., a Virginia limited liability company ("**Mountain View**"), entered into that certain Lease Agreement with the Authority, dated as of January 15, 2012, as further extended by that certain Lease Renewal Agreement dated as of January 1, 2014 (the "**Current Lease**"), to lease certain real property (GPIN 1356-75-8216) of the Authority, containing approximately thirty (30) acres and fronting on Stateline Bridge Road, in Pittsylvania County, Virginia (the "**Property**"), for the extended period beginning on January 1, 2014 and ending on December 31, 2014, for planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, and any other purposes approved by the Authority, for a total rental fee of One Thousand Two Hundred and 00/100 Dollars (\$1,200.00); and

**WHEREAS**, Mountain View desires to renew the Current Lease, which otherwise expired December 31, 2014, for an additional one (1) year term; and consistent with similar leases by the Authority, the Authority shall have a 60-day early termination right and the right to show the Property to business recruits, the identities of whom Mountain View would keep confidential until a public announcement is made by the Authority; and

**WHEREAS**, the Farm Service Agency of the United States Department of Agriculture has determined that fair market value rent for the Property is Forty and 00/100 Dollars (\$40.00) per acre; and

**WHEREAS**, the Authority has determined that it is in the best interests of the Authority and of the citizens of Pittsylvania County and the City of Danville, Virginia, for the Authority to renew the Current Lease for an additional one (1) year term at a Base Rent of One Thousand Two Hundred and 00/100 Dollars (\$1,200.00), with additional rights of the Authority consistent with its other similar leases, and otherwise on the same terms and conditions as the Current Lease; and

**WHEREAS**, the terms of the lease renewal are set forth in **Exhibit A**, attached hereto and incorporated herein by this reference (the "**Lease Renewal**").

**Resolution No. 2015-01-12-5A**

**NOW, THEREFORE, BE IT RESOLVED,** that

1. The Authority hereby approves the Lease Renewal as reviewed at this meeting, together with such amendments, deletions or additions thereto as may be approved by the Chairman or the Vice Chairman of the Authority, and hereby authorizes the Chairman and the Vice Chairman, either of whom may act independently of the other, to execute and deliver the Lease Renewal on behalf of the Authority, such execution of the Lease Renewal by the Chairman (or Vice Chairman as the case may be) to conclusively establish his approval of any amendments, deletions or additions thereto.

2. The Authority hereby authorizes and directs staff and other agents and representatives working on behalf of the Authority to take such actions and to do all such things as are contemplated by the Lease Renewal, or as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions.

3. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, its agents and representatives, in respect to the Lease Renewal and the matters contemplated therein.

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

**CERTIFICATE**

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 12, 2015, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

**WITNESS** my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this 12th day of January 2015.

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**SUSAN M. DeMASI**, Secretary  
Danville-Pittsylvania Regional Industrial Facility  
Authority

(SEAL)

**Resolution No. 2015-01-12-5A**

**Exhibit A**  
**2015 LEASE RENEWAL AGREEMENT**

**THIS 2015 LEASE RENEWAL AGREEMENT** (this “**Lease Renewal**”) is made as of the 1st day of January 2015, by and between **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia (“**Landlord**”); and **MOUNTAIN VIEW FARMS OF VIRGINIA, L.C.**, a Virginia limited liability company (“**Tenant**”).

**WITNESSETH :**

That for and in consideration of the mutual promises and covenants contained in this Lease Renewal, the parties agree as follows:

Section 1 – Recitals. The parties recite the following: Landlord and Tenant entered into that certain Lease Agreement dated as of January 15, 2012 (the “**Lease**”), as further extended by that certain Lease Renewal Agreement dated as of January 1, 2014, for lease of the Property, for the extended period beginning January 1, 2014 and ending on December 31, 2014 (the “**2nd Extended Term**”). Landlord and Tenant desire to enter into this Lease Renewal to further extend the term of the Lease and to amend the Base Rent.

Section 2 – Renewal Term. Following the end of the 2nd Extended Term, the term of the Lease shall continue for a term beginning on January 1, 2015 and ending on December 31, 2015 (the “**Renewal Term**”), unless sooner terminated as provided in the Lease. Prior to the end of the Renewal Term set forth herein, Landlord shall have the right to terminate the Lease upon giving at least sixty (60) days prior written notice to Tenant, in which event Landlord shall reimburse Tenant for a pro rata portion of the Base Rent covering the period between the date of termination and December 31, 2015.

Section 3 - Rent Payment. For the Renewal Term, Tenant agrees to pay to Landlord a base rent (“**Base Rent**”) for the Property in the amount of One Thousand Two Hundred and 00/100 Dollars (\$1,200.00), due and payable by Tenant to Landlord on the date this Lease Renewal is executed by Tenant.

Section 4 – Right to Show the Property. At any time during the Renewal Term set forth herein, Landlord shall have the right, upon twenty-four (24) hours’ notice to Tenant (which can be by telephone or by e-mail), to enter upon and to show the Property (as defined in the Lease) to prospective business recruits (the “**Recruits**”). Tenant agrees to keep in strictest confidence the identity of any Recruits until a public announcement is made by Landlord, if ever, or as otherwise required by law.

Section 5 - Entire Agreement. The Lease and this Lease Renewal contain the entire agreement and understanding of the parties with respect to the transactions contemplated hereby; and the Lease and this Lease Renewal supersede all prior understandings and agreements of the parties with respect to the subject matter hereof.

Section 6 - Interpretation. All of the terms, covenants and conditions of the Lease shall continue in full force and effect, and the same are hereby reaffirmed, remade and rewritten, except to the extent that any such terms, covenants or conditions have been nullified hereby or conflict or are inconsistent with the terms of this Lease Renewal, in which event the terms of this Lease Renewal shall, in all respects, govern and prevail.

Section 7 - Defined Terms. The capitalized terms of this Lease Renewal that are not defined herein shall be defined as set forth in the Lease.

**[SIGNATURES ON FOLLOWING PAGE.]**

**Resolution No. 2015-01-12-5A**

**WITNESS** the following signatures to this **2015 LEASE RENEWAL AGREEMENT**:

**Landlord:**

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia

EXHIBIT ONLY – DO NOT SIGN

By: \_\_\_\_\_  
Coy E. Harville, Chairman

**Tenant:**

**MOUNTAIN VIEW FARMS OF VIRGINIA, L.C.**, a Virginia limited liability company

EXHIBIT ONLY – DO NOT SIGN

By: \_\_\_\_\_  
Title: \_\_\_\_\_

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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**Agenda Item No.:****Meeting Date:** 01/12/2015**Subject:** FY2014 Audited Financial Report and Audit Letters**From:** Michael L. Adkins, Authority Treasurer

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**SUMMARY**

Included in the agenda packet is the audited *Financial Report* for fiscal year ending June 30, 2014, as well as the *Comments on Internal Control and Other Suggestions for Your Consideration* and the *Required Communication with Those Charged with Governance* letters for fiscal year 2014 from Brown, Edwards & Company, LLP, the independent auditors for RIFA. The auditors will attend the meeting on January 12, 2015 to discuss the audit and answer any questions regarding the audit.

The letter titled *Comments on Internal Control and Other Suggestions for Your Consideration* does not have any current year comments. The lack of segregation of duties appears as a prior year comment; it is not considered a significant deficiency since RIFA has appropriate controls in place to mitigate the risk associated with areas not ideally segregated. Staff will continue seeking opportunities to strengthen the segregation of duties.

Staff is pleased with the audit and will continue to seek areas for improvement in the upcoming year.

**RECOMMENDATION**

No action is required. The purpose of this item is for the auditors to communicate audit findings to the RIFA Board.

**ATTACHMENTS**

Audited Financial Report for fiscal year ending June 30, 2014

Audit Letter - *Comments on Internal Control and Other Suggestions for Your Consideration*

Audit Letter - *Required Communication with Those Charged with Governance*

**DANVILLE-PITTSYLVANIA REGIONAL  
INDUSTRIAL FACILITY AUTHORITY**

**FINANCIAL REPORT**

**June 30, 2014**

*Danville-Pittsylvania Regional Industrial Facility Authority*

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Danville-Pittsylvania Regional Industrial Facility Authority  
Danville, Virginia

### Report on Financial Statements

We have audited the accompanying basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents. The prior year comparative information has been derived from the Authority's 2013 financial statements on which, in our report dated November 8, 2013, we expressed an unmodified opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Danville-Pittsylvania Regional Industrial Facility Authority, as of June 30, 2014, and the changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As described in Note 13 to the financial statements, in 2014 the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this omitted information.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 28, 2014

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Net Position**  
**June 30, 2014**

	2014	(For Comparative Purposes Only) 2013
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,817,042	\$ 1,396,911
Other receivables	2,500	3,002
Prepays	2,624	6,264
<i>Total current assets</i>	<u>1,822,166</u>	<u>1,406,177</u>
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	3,389,958	3,844,078
Due from City of Danville	254,813	254,205
Capital assets not being depreciated	25,055,862	24,839,271
Capital assets being depreciated, net	25,883,079	26,838,571
Construction in progress	3,632,297	2,650,156
<i>Total noncurrent assets</i>	<u>58,216,009</u>	<u>58,426,281</u>
<b>Total assets</b>	<u>60,038,175</u>	<u>59,832,458</u>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Accounts payable - general	20,860	29,347
Accounts payable - construction	362,418	-
Accrued interest payable	77,384	77,402
Unearned revenue	5,850	5,850
Bonds payable - current	1,078,450	1,043,450
<i>Total current liabilities</i>	<u>1,544,962</u>	<u>1,156,049</u>
<i>Noncurrent liabilities</i>		
Due to Pittsylvania County	254,813	254,205
Bonds payable	9,188,540	10,266,990
<i>Total noncurrent liabilities</i>	<u>9,443,353</u>	<u>10,521,195</u>
<b>Total liabilities</b>	<u>10,988,315</u>	<u>11,677,244</u>
<b>Commitments and contingencies (Note 11)</b>	<u>-</u>	<u>-</u>
<b>Net position</b>		
Net investment in capital assets	44,591,082	43,888,574
Restricted - debt reserves	3,103,125	2,973,061
Unrestricted	1,355,653	1,293,579
<b>Total net position</b>	<u>\$ 49,049,860</u>	<u>\$ 48,155,214</u>

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Revenues and Expenses and Changes in Fund Net Position*  
*Year Ended June 30, 2014*

	<b>2014</b>	<b>(For Comparative Purposes Only) 2013</b>
<b>Operating revenues</b>		
Virginia Tobacco Commission grants	\$ -	\$ 5,708,878
Other income	109,124	67,860
<b>Total operating revenues</b>	<u>109,124</u>	<u>5,776,738</u>
<b>Operating expenses</b>		
Depreciation and amortization	955,492	1,224,555
Economic development - Cyber Park	-	150,000
Economic development - Cane Creek Centre	7,685	2,780
Economic development - Mega Park	144,323	-
Other operating expenses	232,889	241,658
<b>Total operating expenses</b>	<u>1,340,389</u>	<u>1,618,993</u>
<b>Operating income (loss)</b>	<u>(1,231,265)</u>	<u>4,157,745</u>
<b>Non-operating revenues (expenses)</b>		
Bond issuance costs	(52,500)	-
Interest income	1,661	589
Interest expense	(92,908)	(11,754)
<b>Total non-operating expenses</b>	<u>(143,747)</u>	<u>(11,165)</u>
<b>Net income (loss) before capital contributions</b>	<u>(1,375,012)</u>	<u>4,146,580</u>
<b>Capital contributions</b>		
Contribution - City of Danville	1,134,829	431,567
Contribution - Pittsylvania County	1,134,829	431,567
<b>Total capital contributions</b>	<u>2,269,658</u>	<u>863,134</u>
<b>Change in net position</b>	894,646	5,009,714
<b>Net position at July 1, as restated</b>	<u>48,155,214</u>	<u>43,145,500</u>
<b>Net position at June 30</b>	<u>\$ 49,049,860</u>	<u>\$ 48,155,214</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

	<b>2014</b>	<b>(For Comparative Purposes Only) 2013</b>
<b>Operating activities</b>		
Receipts from operating grants and activities	\$ 502	\$ 5,877,287
Payments to suppliers for goods and services	(156,855)	(166,919)
Other payments	(104,826)	(156,375)
<b>Net cash provided by (used in) operating activities</b>	<u>(261,179)</u>	<u>5,553,993</u>
<b>Capital and related financing activities</b>		
Purchase of capital assets	(603,228)	(95,890)
Capital contributions	2,230,564	793,335
Interest paid on bonds	(304,307)	(310,638)
Proceeds from bond issuance	5,595,000	-
Bond issuance costs paid	(52,500)	-
Principal repayments on bonds	(6,640,000)	(5,825,000)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>225,529</u>	<u>(5,438,193)</u>
<b>Investing activities</b>		
Interest received	1,661	589
<b>Net cash provided by investing activities</b>	<u>1,661</u>	<u>589</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(33,989)	116,389
<b>Cash and cash equivalents - beginning of year (including restricted cash)</b>	<u>5,240,989</u>	<u>5,124,600</u>
<b>Cash and cash equivalents - end of year (including restricted cash)</b>	<u>\$ 5,207,000</u>	<u>\$ 5,240,989</u>
<b>Reconciliation to Statement of Net Position</b>		
Cash and cash equivalents	\$ 1,817,042	\$ 1,396,911
Restricted cash and cash equivalents	3,389,958	3,844,078
	<u>\$ 5,207,000</u>	<u>\$ 5,240,989</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

	<b>2014</b>	<b>(For Comparative Purposes Only) 2013</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ (1,231,265)	\$ 4,157,745
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	955,492	955,492
Amortization of bond issue costs	-	269,063
Non-cash operating in-kind expenses	18,939	17,424
Changes in assets and liabilities:		
Change in prepaids	3,640	3,315
Change in due from other governments	-	158,281
Change in other receivables	502	14,884
Change in accounts payable - general	(8,487)	(17,455)
Change in security deposit	-	(1,500)
Change in unearned revenue	-	(3,256)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (261,179)</b>	<b>\$ 5,553,993</b>
<b>Supplemental cash flow information</b>		
Capitalized interest	\$ 212,931	\$ 262,812
Capital asset additions financed by accounts payable	362,418	-
Capital asset additions financed by locality contribution	20,155	52,375
	<b>\$ 595,504</b>	<b>\$ 315,187</b>

***Danville-Pittsylvania Regional Industrial Facility Authority***  
***Notes to Financial Statements***  
***June 30, 2014***

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**1. Organization and Nature of Activities**

The ***Danville-Pittsylvania Regional Industrial Facility Authority*** (“the Authority”) was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of the City of Danville, Virginia, to promote and further the purposes of the *Virginia Regional Industrial Facilities Act*, Chapter 64, Title 15.2 of the *Code of Virginia*, (1950) as amended (Act). The Authority is an entity jointly owned by the City of Danville and Pittsylvania County and is a political subdivision of the Commonwealth of Virginia. The Authority is empowered, among other things, to borrow money to purchase real estate and finance all improvements in industrial parks intended to be occupied by manufacturing, warehousing, distribution, office or other commercial enterprises. In addition, the Authority is authorized under the Act to issue revenue bonds to finance facilities for such enterprises. The Authority has no taxing power. The City of Danville acts as the fiscal agent of the Authority. As fiscal agent, the City provides office space to the Authority at no charge.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred, regardless of the timing of the related cash flow. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues generally consist of grant income from various state or federal agencies; operating expenses generally consist of economic incentive grants, infrastructure development, depreciation and amortization expense, and other operating expenses which include bank charges, legal fees, accounting fees, meals and other miscellaneous fees. Non-operating items consist of interest income and expense as well as incidental items not directly related to the primary operations of the Authority. Capital contributions consist of subsidies from the City of Danville and Pittsylvania County.

**Economic Incentive Grants**

One important function of the Authority is to provide incentives for businesses to locate in the industrial parks constructed by the Authority. In some cases, the Authority agrees that if a business reaches certain investment and employment goals, the Authority will transfer capital assets (such as land and improvements) to the business at very favorable terms at the end of a specified period - usually five to ten years. The Authority reports these transfers as expenses when the grantee reaches its initial investment and employment goals and it appears unlikely that the grantee will fail to maintain these goals throughout the specified period.

Non-exchange transactions, in which the Authority either gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenues and expenses from grants and donations are recognized in the fiscal year in which, in management’s judgment, all eligibility requirements have been substantially satisfied.

**Cash and Cash Equivalents**

Cash and cash equivalents represent checking and savings accounts of the Authority, which are available on demand or within a three-month period.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Notes to Financial Statements*  
*June 30, 2014*

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**2. Summary of Significant Accounting Policies (Continued)**

**Due From Other Governments**

Due from other governments generally consists of grant reimbursements receivable from the Virginia Tobacco Commission or other grantor agencies. There were no amounts due from other governments at June 30, 2014.

**Other Receivables**

Other receivables consist of credits due to the Authority at year-end.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Restricted Resources**

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

**Capital Assets**

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the related assets, ranging from 10 to 50 years. Normal maintenance and repairs are charged to operations when incurred. Capital assets that are later transferred to other governments or businesses are capitalized at cost as constructed or purchased, and are later recorded as expenses when transferred to the recipient entity. The expense of capital assets that are transferred as part of economic incentive grants is generally recognized at the time the recipient has met all eligibility requirements and is expected to continue to meet the requirements throughout the period required by the incentive agreement.

Management does not believe the Authority's real estate has declined materially in value below the reported cost; however, no formal appraisals of the Authority's real property have been obtained since it was acquired.

**Unearned Revenue**

Unearned revenue represents revenue received but not recognized since it has not been earned. Unearned revenue is comprised of rent payments received in advance of the rent period.

**Net Position**

Net position is the difference between assets and liabilities. Net investment in capital assets represents capital assets less accumulated depreciation less any outstanding debt used for the acquisition or improvement of those assets.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

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**2. Summary of Significant Accounting Policies (Continued)**

**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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**Income Taxes**

The Authority is exempt from all federal, state, and local income taxes.

**3. Deposits, Restricted Cash and Investments**

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of the following at June 30, 2014:

Bond funds to be used for improvements to Cane Creek Centre	\$ 286,833
Restricted funds for Cane Creek Centre debt service	1,103,009
Restricted funds for Berry Hill Mega Park debt service	<u>2,000,116</u>
	<u>\$ 3,389,958</u>

**Investments**

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2014, the Authority held no investments.

**Interest Rate Risk** - As a means of limiting its exposure to fair value losses due to rising interest rates, the Authority purchases investments having a maturity not greater than two years from the date of purchase.

**Credit Risk** - In accordance with State statutes, the Authority authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia's State Non-Arbitrage Pool (SNAP). All cash of the Authority was held in money market or checking accounts at June 30, 2014.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

**3. Deposits, Restricted Cash and Investments (Continued)**

**Concentration of Credit Risk** - The Authority places no limit on the amount that is invested in any one issuer. All Authority funds are currently maintained in checking accounts or money market accounts with two different financial institutions.

**4. Due To/From Member Localities**

The Authority is equally funded by the City of Danville and Pittsylvania County. The two localities have signed agreements to share all costs of the Authority equally. At times, one locality may front all costs associated with a transaction, creating an amount owed by the other. The Authority reflects these balances as all transactions associated with the Authority are recorded on the Authority's books. At June 30, 2014, the Authority reflects amounts due to Pittsylvania County of \$254,813 and a corresponding due from the City of Danville for the same amount. This stems from items paid for or contributed by Pittsylvania County in excess of its share. It is not expected that the City of Danville will repay this amount in full in fiscal year 2015, but rather that the balance will be adjusted annually based on contributions made by both localities.

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

	June 30, 2013 Balance	Increases	Decreases	June 30, 2014 Balance
<i>Capital assets not being depreciated:</i>				
Cyber Park - Land	\$ 5,904,783	\$ -	\$ -	\$ 5,904,783
Cane Creek Centre - Land	5,871,948	216,591	-	6,088,539
Mega Park - Land	13,062,540	-	-	13,062,540
<i>Total capital assets not being depreciated</i>	<u>24,839,271</u>	<u>216,591</u>	<u>-</u>	<u>25,055,862</u>
<i>Capital assets being depreciated:</i>				
Buildings	25,617,874	-	-	25,617,874
Building Improvements	267,000	-	-	267,000
Land Improvements	5,970,458	-	-	5,970,458
Infrastructure	2,006,965	-	-	2,006,965
<i>Total capital assets being depreciated</i>	<u>33,862,297</u>	<u>-</u>	<u>-</u>	<u>33,862,297</u>
<i>Less accumulated depreciation for:</i>				
Buildings	6,027,613	756,544	-	6,784,157
Building Improvements	49,182	7,026	-	56,208
Land Improvements	706,097	151,783	-	857,880
Infrastructure	240,834	40,139	-	280,973
<i>Total accumulated depreciation</i>	<u>7,023,726</u>	<u>955,492</u>	<u>-</u>	<u>7,979,218</u>
<i>Total capital assets being depreciated, net</i>	<u>26,838,571</u>	<u>(955,492)</u>	<u>-</u>	<u>25,883,079</u>
<i>Total capital assets, net</i>	<u>\$ 51,677,842</u>	<u>\$ (738,901)</u>	<u>\$ -</u>	<u>\$ 50,938,941</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

**6. Construction in Progress**

Construction in progress consisted of the following at June 30:

	<u>June 30, 2013</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u> <u>Balance</u>
Mega Park*	\$ 2,650,156	\$ 687,361	\$ -	\$ 3,337,517
Cane Creek Centre	-	294,780	-	294,780
	<u>\$ 2,650,156</u>	<u>\$ 982,141</u>	<u>\$ -</u>	<u>\$ 3,632,297</u>

\* Current year additions include capitalized interest of \$212,931. The construction in progress total for this project includes an accumulated total of \$739,795 capitalized interest at June 30, 2014.

**7. Long-Term Debt**

The following schedule represents all bonds payable:

<u>Description</u>	<u>Original Issue</u>	<u>Annual Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding</u> <u>June 30, 2014</u>
2013 Revenue Refunding bonds	\$ 5,595,000	\$ 315,000 – 4,600,000	1.85%	8/1/2016	\$ 5,280,000
2011 Revenue bonds	11,250,000	\$ 730,000 – 5,525,000	2.50 – 4.75%	9/1/2019	4,995,000
	<u>\$ 16,845,000</u>				<u>\$ 10,275,000</u>

In December 2011, the Authority issued \$11,250,000 in revenue bonds. The debt service payments made on March 1, 2012 and September 1, 2012 were funded by a grant from the Virginia Tobacco Commission; debt service payments thereafter are made with funds received from the City of Danville and Pittsylvania County.

In August 2013, the Authority issued \$5,595,000 in revenue refunding bonds to satisfy the outstanding balance of the 2005 revenue bonds. Debt service payments are made with funds received from the City of Danville and Pittsylvania County.

Long-term debt activity for the year ended June 30, 2014 was as follows:

<u>Description</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 11,320,000	\$ 5,595,000	\$ 6,640,000	\$ 10,275,000	\$ 1,080,000
Original issue discount	(9,560)	-	(1,550)	(8,010)	(1,550)
	<u>\$ 11,310,440</u>	<u>\$ 5,595,000</u>	<u>\$ 6,638,450</u>	<u>\$ 10,266,990</u>	<u>\$ 1,078,450</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

**7. Long-Term Debt (Continued)**

Debt service on the preceding bonds in future years is as follows:

**Debt Maturity Schedule**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 1,080,000	\$ 289,703	\$ 1,369,703
2016	1,130,000	256,619	1,386,619
2017	5,410,000	144,766	5,554,766
2018	845,000	102,247	947,247
2019	885,000	63,850	948,850
2020	925,000	21,969	946,969
	<u>\$ 10,275,000</u>	<u>\$ 879,154</u>	<u>\$ 11,154,154</u>

**8. Economic Development**

In fiscal year 2014, the Authority purchased several properties totaling 18 acres surrounding the Cane Creek Centre for approximately \$217,000.

**9. Short-Term Operating Leases**

The Authority leases land to tenants under lease terms of one year or less. Under the terms of the agreements, the future rental income for the year ending June 30, 2015 is estimated to be \$11,450.

**10. Long-Term Operating Leases**

In October 2006, the Authority entered into agreements with Swedwood Danville, LLC that provide the Authority will lease 94 acres (valued at \$1,027,947) to Swedwood for 120 months at a rate of \$1 per year. Swedwood has the option to purchase the above-mentioned land for \$1 at the end of the 120-month lease if it meets certain investment and employment criteria. In fiscal year 2008, Swedwood met its initial investment and employment criteria and the Authority recorded the transfer of land to Swedwood. If Swedwood chooses to expand its operations within the terms of the agreement, it also has the right to lease from the Authority certain parcels of land known as lots 7B and/or 7C, consisting of approximately 103 acres and 11 acres, respectively. Swedwood also has the right of first refusal to purchase a certain parcel of land from the Authority known as Lot 6 consisting of 68.8 acres.

The Research building, which has a carrying value of \$5,849,509 at June 30, 2014 and accumulated depreciation of \$1,186,301, is leased to the Institute for Advanced Learning & Research (IALR) for \$10 per year per square foot occupied. The lease was renewed at the same rent terms on June 1, 2013 for a one-year period and will automatically renew annually thereafter for successive one year periods. The rent for the renewal is set forth in the lease agreement. Insurance and maintenance costs are the responsibility of the lessee. For fiscal year 2014, \$95,974 of rental income was received through this lease.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2014**

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**10. Long-Term Operating Leases (Continued)**

The Institute building is leased to the IALR for \$1 per year. The lease term is 15 years and began in June 2004. Insurance and maintenance costs are the responsibility of the lessee.

In fiscal year 2011, the Authority entered into a ground lease with the IALR to allow for the construction of the Sustainable Energy Technology Center Building (SEnTeC). The lease term is 240 months and began in September 2010. The property is leased to the IALR at a rate of \$1 per year and the IALR has the option to purchase the premises for \$100 at the end of the lease term, as long as all related grant requirements have been satisfied.

**11. Commitments and contingencies**

At June 30, 2014, the Authority had approximately \$2.5 million in outstanding engineering and consulting contracts, of which approximately \$1.4 million had not been expended.

At June 30, 2014, a vendor claim had been submitted to the Authority for payment for services of \$390,324. The Authority has not approved or denied the claim as of the date the financial statements were available to be issued. Management has concluded that the amount that may be paid under the claim, if any, is not determinable because verification of this claim is ongoing. Therefore, no provision for this claim has been recorded in the accompanying financial statements.

**12. Dissolution of Authority**

If dissolution of the Authority should occur, such dissolution shall be made pursuant to *Code of Virginia*, Section 15.2-6415. Pittsylvania County constructed a Multi-Port Access Point (MSAP), at an approximate cost of \$2 million that will benefit areas served by the Authority. Should the Authority ever be dissolved, the MSAP will be considered part of the County's investment in the Authority.

**13. Restatement of Net Position**

In the fiscal year ending June 30, 2014, the Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of GASB 65 is to provide guidance to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). GASB 65 was implemented retroactively. The adoption of GASB 65 resulted in a restatement of net position as of June 30, 2012, as detailed below.

Net position June 30, 2012, as previously reported	\$ 43,484,623
Restatement for:	
Bond issuance costs	<u>(339,123)</u>
Net position June 30, 2012, as restated	<u>\$ 43,145,500</u>

\* \* \* \* \*

**INDEPENDENT AUDITOR’S 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 the Board of Directors of  
Danville-Pittsylvania Regional Industrial Facility Authority  
Danville, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the “Authority”), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 28, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.**

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 28, 2014

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS  
Year Ended June 30, 2014**

As more fully described in the **Independent Auditor's 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***, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Cash and Investment Laws

Debt Provisions

Procurement Laws

Unclaimed Property

**DANVILLE-PITTSYLVANIA REGIONAL  
INDUSTRIAL FACILITY AUTHORITY**

**COMMENTS ON INTERNAL CONTROL AND  
OTHER SUGGESTIONS FOR YOUR  
CONSIDERATION**

**June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

To the Board of Directors of  
Danville-Pittsylvania Regional Industrial Facility Authority  
Danville, Virginia

In planning and performing our audit of the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinion on the financial statements and to comply with *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's 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*** which should be read in conjunction with this report.

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detailed review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that these suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study on these matters, or to assist you in implementing the recommendations.

*Crown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 28, 2014

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## PRIOR YEAR COMMENTS AND SUGGESTIONS

June 30, 2014

### SEGREGATION OF DUTIES

One of the more important aspects of any system of internal control is the segregation of duties. In an ideal system of internal controls, no individual would perform more than one duty in connection with any transaction or series of transactions. In particular, no one individual would have access to both physical assets and the related accounting records, since such access may allow errors or irregularities to occur and be undetected or concealed.

Following are some of the areas where duties are not ideally segregated:

- Signed checks are returned to the individual responsible for check preparation for mailing. This can allow payments to be diverted.
- The individual with bank reconciliation responsibilities has limited access to the general ledger that still includes access for the individual to record and change transactions. Ideally, this person would not have any involvement with the recording of or the ability to record transactions.

Complete segregation of all duties is likely not possible without the involvement of additional personnel.

**Status:** *The items noted above still exist. Management believes there are appropriate mitigating controls in place to address the risk associated with the two areas noted that are not ideally segregated. These mitigation controls consist of monitoring of all cash disbursements by other knowledgeable personnel. Management should continue to identify ways in which controls could be overridden, and should ensure that monitoring controls are applied vigilantly. Management, and those charged with governance, should maintain an attitude of vigilance and appropriate skepticism.*

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2014

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit.

### GASB STATEMENT NO. 68

On June 25, 2012, the Governmental Accounting Standards Board (GASB) approved **GASB Statement No. 68**, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits.

The AICPA State and Local Government Expert Panel (SLGEP) issued a Whitepaper in February 2014 titled *Governmental Employer Participation in Cost-Sharing Multiple-Employer Plans: Issues Related to Information for Employer Reporting* to assist with employer reporting. An excerpt from that Whitepaper is as follows:

“Once GASB Statement No. 68 is implemented, employers will be required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). For the first time, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. Pension amounts to be recognized by employers include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. To the extent that a long-term obligation to provide pension benefits (that is, total pension liability) is larger than the value of the assets available in the plan to pay pension benefits, there is a collective net pension liability for which each employer will need to report its proportionate share in their financial statements. This is significant because the employer’s proportionate share of collective net pension liability will appear on the face of the employer’s accrual-based financial statements for the first time, along with the employer’s other long-term liabilities. In many cases, the net pension liability will be material, perhaps more so than any other long-term liability appearing in the financial statements. Further, changes in the net pension liability will be recognized immediately as pension expense, or reported as deferred outflows of resources or deferred inflows of resources, depending on the nature of the change, which could result in reporting four possible categories of deferrals for presentation purposes. Theoretically, the pension amounts reported individually by each employer participating in a cost-sharing plan will equal the collective pension amounts for the plan as a whole.”

Implementation challenges include obtaining the necessary information to support new recognized amounts. For those localities using the Virginia Retirement System (VRS), this information should be provided on your VRS report. As auditors, we will be challenged to obtain sufficient audit evidence to opine on these amounts.

GASB issued two pension implementation toolkits in March 2014, one for GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and one for GASB No. 68. The toolkits provide useful information, including implementation guides, for preparers and auditors to comply with the new requirements.

**GASB Statement No. 68** is effective for periods beginning after June 15, 2014. Earlier application is encouraged.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2014

### GASB STATEMENT NO. 69

**GASB Statement No. 69**, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold.

In addition, this Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

**GASB Statement No. 69** is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

### GASB STATEMENT NO. 71

**GASB Statement No. 71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities.

The provisions of this Statement are required to be applied simultaneously with the provisions of **GASB Statement No. 68**.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2014

### OFFICE OF MANAGEMENT AND BUDGET (OMB) CHANGES TO SINGLE AUDITS

OMB released final guidance related to federal awards in December 2013. The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) consolidates previous guidance into a streamlined format that aims to improve both its clarity and accessibility, lessen administrative burdens for federal award recipients, and reduce the risk of waste, fraud, and abuse (Thomson Reuters “OMB Finalizes Federal Award Changes”). The most significant changes are as follows:

**Single audit threshold increase.** The audit threshold will be raised from \$500,000 to \$750,000 of federal expenditures. In addition, the Type A program threshold will be increased from \$300,000 to \$750,000. Finally, the percentage coverage of federal expenditures required for testing will be decreased from 50% to 40% for regular auditees and from 25% to 20% for low-risk auditees.

**Changes to major determination process.** The criteria to be considered a high-risk Type A program will include failure to have an unmodified opinion on the program, a material weakness in internal controls, or questioned costs exceeding 5% of the program’s expenditures. In addition, there will also be a reduction in the number of high-risk Type B programs that must be tested from one-half to at least one-fourth of low-risk Type A programs.

**Proposed reduction of compliance requirements subject to testing.** Per Thomas Reuters PPC Update, “OMB’S original proposal included reducing the number of types of compliance requirements from 14 to 6, with several of the compliance requirements combined. The discussion of major policy reforms in the Uniform Guidance notes that because the compliance supplement is published as part of a separate process, no final changes were made at the time the Uniform Guidance was finalized. However, the Council of Financial Assistance Reform (COFAR) has recommended that any future changes made to the compliance supplement be based on available evidence on past findings and the potential impact of noncompliance for each type of compliance requirement. The COFAR further recommended that additional public outreach be conducted prior to making any structural changes to the format of the compliance supplement in order to mitigate an inadvertent increase in administrative burden.”

Nonfederal entities are required to comply with the Uniform Guidance once the new regulations are in effect which is expected by December 2014. Audit requirements would apply to fiscal years beginning on or after December 26, 2014 (fiscal year ending June 30, 2016).

### CURRENT GASB PROJECTS

GASB currently has a variety of projects in process. Some of these projects are as follows:

- **Conceptual Framework – Recognition.** The project’s objective is to develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. This project ultimately will lead to a Concepts Statement on recognition of elements of financial statements. Further developments on an Exposure Draft for recognition concepts was put on hold in August 2013 pending research being conducted pursuant to the reexamination of the financial reporting model.
- **Economic Condition Reporting: Financial Projections.** The objective of this project is to consider whether guidance or guidelines should be provided for additional information about economic condition, particularly financial projections, as part of general purpose external financial reporting. This project also will include consideration of the information users identified as necessary to assess the risks associated with a government’s intergovernmental financial dependencies. The project is currently being deliberated. This project is currently on hold pending resolution of GASB scope.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2014

### CURRENT GASB PROJECTS (Continued)

- ***Fair Value Measurement and Application.*** There is a proposed GASB Statement that would enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent definition and accepted valuation techniques. The proposed Statement also would enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Note disclosures related to fair value would include:
  - Fair value measurement at the end of the period
  - Level of the fair value hierarchy
  - Description of valuation techniques
  - Any change in technique and the reason for the change
  - Reason for measurement (if nonrecurring)

Disclosures of quantitative information about significant unobservable inputs and their sensitivity to change are not required. An exposure draft was approved in May 2014 with a comment period ending August 2014. GASB anticipates issuing the final statement in February 2015.

- ***Fiduciary Responsibilities.*** The primary objective of this project would be to develop guidance regarding the application of the fiduciary responsibility criteria in deciding whether and how governments should report fiduciary activities in their general purpose external financial reports. Other objectives of this project include assessing whether additional guidance should be developed to (1) clarify the difference between a private-purpose trust fund and an agency fund, (2) clarify whether a business-type activity engaging in fiduciary activities should present fiduciary fund financial statements, and (3) consider requiring a combining statement of changes in assets and liabilities for agency funds. The project is currently being deliberated.
- ***GAAP Hierarchy.*** There is a proposed GASB Statement that would supersede the GAAP hierarchy, as set forth in **GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*** Currently, GASB Statement No. 55 includes four categories of authoritative GAAP. The proposed statement reduces the GAAP hierarchy to two categories. Category A includes GASB Statements of Governmental Accounting Standards (including previously issued GASB Interpretations). Category B includes GASB Technical Bulletins, GASB Implementation Guides, and guidance from the AICPA that is specifically cleared by the GASB. An exposure draft was issued December 20, 2013 with a comment period ending December 31, 2014. GASB anticipates issuing the final statement in June 2015.
- ***Lease Accounting – Reexamination of NCGA Statement 5 and GASB Statement No. 13.*** The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether current operating leases meet the definitions of assets or liabilities. This project would provide an opportunity for a fresh look at the existing guidance for any improvements not contemplated by the FASB/IASB project given the unique nature of governmental entities and the complexities of their leasing transactions. An exposure draft document is expected to be issued for public comment in November 2014, with a final statement in late 2015.

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**ACCOUNTING AND OTHER MATTERS**

**June 30, 2014**

**CURRENT GASB PROJECTS (Continued)**

- ***Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*** The exposure draft states that “the principal objective of the proposed statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions. An additional objective is to improve the information provided in government financial reports about OPEB-related financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities.” An exposure draft was issued for public comment in May 2014. GASB anticipates issuing the final statement in June 2015.
- ***Tax Abatement Disclosures.*** The objective of this project would be to consider developing disclosure guidance for governments that have granted tax abatements. For purposes of this project, tax abatements are a reduction of or exemption from taxes, offered by a government to a specific taxpayer, typically for the purpose of spurring economic development. The project would not consider guidance for programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizen or veterans, and which are not the product of individual agreements with each taxpayer. The project also would not consider issues related to recognition. GASB currently plans to issue an exposure draft in October 2014 and then issuing the final statement in August 2015.



## REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors of  
Danville-Pittsylvania Regional Industrial Facility Authority  
Danville, Virginia

We have audited the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. As described in Note 13 to the financial statements, the Authority changed accounting policies related to certain items previously reported as assets and liabilities by adopting GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenue, Expenses, and Changes in Fund Net Position. No other new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2014. As described in Note 2, management has accounted for economic incentive grants and agreements with "grantee" industries locating in the area as voluntary non-exchange transactions under Governmental Accounting Standards Board Statement No. 33. Under this method, the Authority reports the expenses associated with these incentives once a grantee has met the initial requirements in its performance agreement with the Authority, and it appears unlikely that the grantee will fail to maintain these requirements throughout the specified performance period or unlikely that the resources granted would be recoverable. We have discussed the accounting for these transactions with management and believe the method selected is appropriate in this circumstance, but accounting for transactions such as these involves significant judgment. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. 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 significantly from those expected.

## **Significant Audit Findings (Continued)**

### *Qualitative Aspects of Accounting Practices (Continued)*

The most sensitive estimates affecting the Authority's financial statements were:

- Management's estimate of the useful lives of capital assets, which is based on management's knowledge and judgment, which is based on history.
- Management's estimate of the allocation of costs to land parcels sold, which consists of the allocation of costs of purchases and improvements to useable land acreage.
- Management's judgment that the carrying value of property and improvements is not materially different from market value is largely based on assumptions about the local real estate market.

We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of the Authority's commitments and contingencies in Note 11 is considered useful to users of the statements.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit, and greatly appreciate the assistance we received.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements noted during the June 30, 2014 audit.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2014, a copy of which is attached.

## Significant Audit Findings (Continued)

### *Management Consultations with Other Independent Accountants*

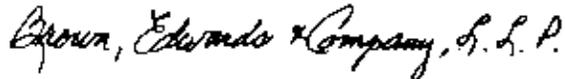
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

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 governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Danville-Pittsylvania Regional Industrial Facility Authority, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
October 28, 2014

# Danville-Pittsylvania Regional Industrial Facility Authority

427 Patton Street, Room 428  
Danville, VA 24541  
Telephone: 434-799-5185  
Facsimile: 434-799-5041

October 28, 2014

Brown, Edwards & Company L.L.P.  
2102 Langhorne Road, Suite 200  
PO Box 10189  
Lynchburg, Virginia 24501

This representation letter is provided in connection with your audit of the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority, which comprise the financial position of the Authority as of June 30, 2014, and the changes in financial position and cash flows for the year then ended, and the notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 28, 2014, the following representations made to you during your audit.

## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 7, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

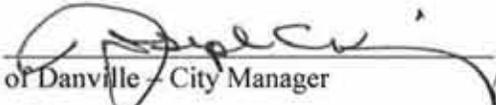
- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

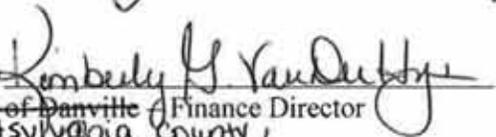
**Government—specific**

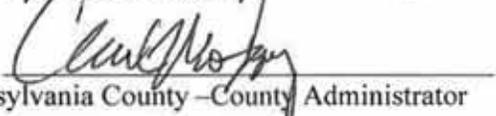
- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) We have a process to track the status of audit findings and recommendations.

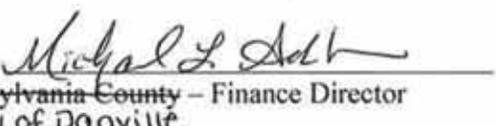
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 22) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 24) If applicable, we have identified and disclosed to you all instances, which have occurred or are likely to have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) If applicable, we have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) If applicable, we have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.
- 31) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 32) Provisions for uncollectible receivables have been properly identified and recorded.
- 33) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 34) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 35) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASB) Statements that are not yet effective, as discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.

- 36) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 37) We have reviewed and discussed the balances of the Authority's long-term due to/from accounts related to the City of Danville, Virginia and the County of Pittsylvania, Virginia. It is our conclusion that these balances are materially correct as of June 30, 2014. We are in agreement with the changes in the due to/from account based on the contributions by each locality in FY 2014.
- 38) Expenditures of federal awards were below the \$500,000 threshold in the audit period, and we were not required to have an audit in accordance with OMB Circular A-133.
- 39) We reaffirm the representations made to you in our letter dated November 7, 2013 regarding your audit for the fiscal year ended June 30, 2013.
- 40) There were no noncash transactions in the current year, including transfers of property, economic incentive agreements, or other transactions, which are not reflected in the financial statements. All such transactions have been made known to our financial accounting team and to you.
- 41) There are no contingent liabilities whereby the Authority could be obligated to repay Tobacco Commission or other funds upon the failure of a grantee entity to comply with grant requirements.
- 42) Significant progress on the Berry Hill Mega Park has been substantially halted by permitting issues and requirements that are not under the control of the Authority. We have undertaken wetland studies and other required actions to comply with all requirements to move the permitting process forward.
- 43) We do not believe that the interest costs being capitalized on the Berry Hill Mega Park annually are increasing the cost of the land beyond current fair market value.

Signature:   
 Title: City of Danville - City Manager

Signature:   
 Title: City of Danville - Finance Director  
 Pittsylvania County

Signature:   
 Title: Pittsylvania County - County Administrator

Signature:   
 Title: Pittsylvania County - Finance Director  
 City of Danville

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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**Agenda Item No.:**

**Meeting Date:** 1/12/2015

**Subject:** Financial Status Reports – December 31, 2014

**From:** Michael L. Adkins, Authority Treasurer

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### **SUMMARY**

A review of the financial status reports through December 31, 2014 will be provided at the meeting. The financial status reports as of December 31, 2014 are attached for the DPRIFA Board's review.

### **RECOMMENDATION**

Staff recommends approving the financial status reports as of December 31, 2014 as presented.

### **ATTACHMENTS**

Financial Status Reports

# Financial Status

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## Table of Contents

- A. \$7.3 Million Bonds - Cane Creek Centre
- B. General Expenditure for FY 2015
- C. Mega Park – Funding Other than Bond Funds
- D. Berry Hill Mega Park – Lot 4 Site Development
- E. Rent, Interest, and Other Income Realized
- F. Unaudited Financial Statements

**Danville-Pittsylvania Regional Industrial Facility Authority**

\$7,300,000 Bonds for Cane Creek Centre - Issued in August 2005 <sup>7</sup>

As of December 31, 2014

<u>Funding</u>	<u>Funding</u>	<u>Budget / Contract</u> <u>Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended /</u> <u>Unencumbered</u>
Funds from bond issuance	\$ 7,300,000.00				
Issuance cost	(155,401.33)				
Refunding cost <sup>7</sup>	(52,500.00)				
Bank fees	(98.25)				
Interest earned to date	486,581.70				
<b>Cane Creek Parkway <sup>3</sup></b>		\$ 3,804,576.00	\$ 3,724,241.16	\$ -	
<b>Swedwood Drive <sup>2</sup></b>		69,414.00	69,414.00	-	
<b>Cane Creek Centre entrance <sup>3</sup></b>		72,335.00	53,878.70	-	
<b>Financial Advisory Services</b>		9,900.00	9,900.00	-	
<b>Dewberry contracts <sup>1</sup></b>		69,582.50	69,582.50	-	
<b>Dewberry contracts not paid by 1.7 grant <sup>4,5</sup></b>		71,881.00	21,529.12	50,351.88	
<b>Land</b>		-	2,792,945.57	-	
<b>Demolition services</b>		71,261.62	71,261.62	-	
<b>Legal fees</b>		-	55,344.30	-	
<b>CCC - Lots 3 &amp; 9 project - RIFA Local Share <sup>6</sup></b>		142,190.00	112,464.98	-	
<b>Other expenditures</b>		-	330,057.70	-	
<b>Total</b>	\$ 7,578,582.12	\$ 4,311,140.12	\$ 7,310,619.65	\$ 50,351.88	<b>\$ 217,610.59</b>

**notes:**

<sup>1</sup> Dewberry Contracts consist of wetland, engineering, surveying and site preparation

<sup>2</sup> Funds being used to cover City and County matching contributions for a VDOT grant for Swedwood Drive

<sup>3</sup> Project completed under budget

<sup>4</sup> In September 2008 the outstanding principal balance of \$6,965,000 on the Series 2005 Cane Creek Project Revenue Bonds was tendered and not remarketed. These bonds were converted to bank bonds and are now subject to the Credit and Reimbursement agreement the Authority has with Wachovia Bank. The remarketing agent will continue its attempt to remarket these bonds in order to convert them back to Variable Rate Revenue Bonds. As a result, it is likely that the City and County will have to contribute additional funds in order to make future interest payments on the letter of credit attached to these bonds.

<sup>4</sup> These contracts were originally to be paid by the \$1.7M Special Projects Grant, this grant has expired and the TIC did not issue an extension. The remaining amounts of the contract will be paid using bond funds.

<sup>5</sup> The budget amount decreased \$71,279.61 from the September 30, 2010 reports. This amount represented the remaining budget amount carried from the \$1.7 SP grant upon its expiration for the following contracts: Wetland Delineation, Wetland Bank Plan Rev., Stream Concept Plan, & Stream Attribute Plan. Per Shawn Harden of Dewberry, these contracts are complete and finished under budget. The only contract that remains open is for Wetland Monitoring and the budget, expended, and encumbered amounts included here are only for this contract.

<sup>6</sup> This line item represents the amount of expenditures on the "CCC - Lots 3 & 9" budget sheet that is covered by bond funds. RIFA's local share of 5% of these project costs is being covered by these bond funds. Project finished under original budget.

<sup>7</sup> The \$7.3 million bonds were refunded on August 1, 2013 with the issuance of refunding bonds in the amount of \$5,595,000.

<b>Road Summary-Cane Creek Parkway:</b>	
English Contract-Construction	\$ 5,363,927.00
Change Orders	165,484.50
Expenditures over contract amount	3,579.50
(Less) County's Portion of Contract	(935,207.00)
(Less) Mobilization Allocated to County	(9,718.00)
Portion of English Contract Allocated to RIFA	4,588,066.00
Dewberry Contract-Engineering	683,850.00
<b>Total Road Contract Allocated to RIFA</b>	<b>\$ 5,271,916.00</b>

<b>Funding Summary - Cane Creek Parkway</b>	
VDOT	\$ 1,467,340.00
Bonds	3,804,576.00
	<b>\$ 5,271,916.00</b>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**General Expenditures for Fiscal Year 2015**  
**As of December 31, 2014**

	<u>Funding</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
<b>Funding</b>					
City Contribution	\$ 75,000.00				
County Contribution	75,000.00				
Carryforward from FY2014	114,807.25				
City Contribution - remaining FY2011 Allocation	55,000.00				
County Contribution - remaining FY2011 Allocation	55,000.00				
<b>Contingency</b>					
Miscellaneous contingency items		\$ 31,403.90	\$ 429.49	\$ -	\$ 30,974.41
Jones Lang LaSalle - Berry Hill Market Study Analysis		95,000.00	95,000.00	-	-
Jones Lang LaSalle - Berry Hill Economic Analysis		12,000.00	12,000.00	-	12,000.00
Dewberry Engineers, Inc. - Berry Hill		108,603.35	108,603.35	-	-
<b>Total Contingency Budget</b>		<u>247,007.25</u>	<u>216,032.84</u>	-	30,974.41
<b>Legal</b>		100,000.00	17,856.00	-	82,144.00
<b>Accounting</b>		19,600.00	19,100.00	500.00	-
<b>Annual Bank Fees</b>		600.00	-	-	600.00
<b>Postage &amp; Shipping</b>		100.00	-	-	100.00
<b>Meals</b>		4,000.00	900.70	-	3,099.30
<b>Utilities</b>		500.00	143.30	-	356.70
<b>Insurance</b>		3,000.00	-	-	3,000.00
<b>Total</b>	<u>\$ 374,807.25</u>	<u>\$ 374,807.25</u>	<u>\$ 254,032.84</u>	<u>\$ 500.00</u>	<u><u>\$ 120,274.41</u></u>

**Danville-Pittsylvania Regional Industrial Facility Authority**

**Mega Park - Funding Other than Bond Funds**

**As of December 31, 2014**

<b>Funding</b>	<b>Funding</b>	<b>Budget / Contract Amount</b>	<b>Expenditures</b>	<b>Encumbered</b>	<b>Unexpended / Unencumbered</b>
<b>Funding</b>					
City contribution	\$ 134,482.50				
County contribution	134,482.50				
City advance for Klutz, Canter, & Shoffner property <sup>1,4</sup>	10,340,983.83				
Tobacco Commission FY09 SSED Allocation	3,370,726.00				
Tobacco Commission FY10 SSED Allocation - Engineering Portion	407,725.00				
Tobacco Commission FY10 SSED Allocation - Eng. Portion Deobligated	(244,797.00)				
Local Match for TIC FY10 SSED Allocation - Engineering Portion <sup>5</sup>	76,067.61				
Additional funds allocated by RIFA Board on 1/14/2013 <sup>6</sup>	11,854.39				
<b>Land</b>					
Klutz property		\$ 8,394,553.50	\$ 8,394,553.50	\$ -	
Canter property <sup>2</sup>		1,200,000.00	1,200,000.00	-	
Adams property		37,308.00	37,308.00	-	
Carter property		5,843.00	5,843.00	-	
Jane Hairston property		1,384,961.08	1,384,961.08	-	
Bill Hairston property		201,148.00	201,148.00	-	
Shoffner Property		1,872,896.25	1,872,896.25	-	
<b>Other</b>					
Dewberry & Davis		28,965.00	28,965.00	-	
Dewberry & Davis <sup>3</sup>		990,850.00	972,754.29	18,095.71	
Consulting Services - McCallum Sweeney <sup>7</sup>		115,000.00	103,796.85	-	
Transfer available funds to "Berry Hill Mega Park - Lot 4 Site Development" Project <sup>8</sup>		-	11,203.15	-	
<b>Total</b>	<b>\$ 14,231,524.83</b>	<b>\$ 14,231,524.83</b>	<b>\$ 14,213,429.12</b>	<b>\$ 18,095.71</b>	<b>\$ (0.00)</b>

<sup>1</sup> This figure does not include the interest the City lost from the uninvested funds, which was paid to the City 1/3/2012 and totaled \$144,150.41.

<sup>2</sup> Settlement fees were drawn from bonds issued for the Berry Hill project 12/1/2011.

<sup>3</sup> This contract was originally for \$814,500, but has been amended to include a traffic impact analysis, and a cemetery survey. \$740,000 was covered by the FY09 Tobacco Allocation. \$162,928 was covered by the FY10 Tobacco Allocation. \$87,922 will be covered with RIFA Funds.

<sup>4</sup> RIFA paid the City back for all advances on 1/3/2012.

<sup>5</sup> The RIFA Board approved to utilize the remaining funds from the Mega Park bond funds and approximately \$65,000 of the 'Funds Available for Appropriation' towards the local match for the engineering portion of Tobacco Commission grant #1916 for the Berry Hill Mega Park.

<sup>6</sup> Due to the expiration of the Tobacco Commission FY10 SSED Allocation, the RIFA Board approved on 1/14/2013 to utilize \$11,854.39 of the 'Funds Available for Appropriation' to cover the funding shortfall for the budgeted Dewberry & Davis contract.

<sup>7</sup> Unencumbered the remaining \$11,203.15 due to termination of contract.

<sup>8</sup> As approved by RIFA Board on 10/16/2014

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Berry Hill Mega Park - Lot 4 Site Development**  
**As of December 31, 2014**

<b>Funding</b>	<b>Funding</b>	<b>Budget / Contract Amount</b>	<b>Expenditures</b>	<b>Encumbered</b>	<b>Unexpended / Unencumbered</b>
Tobacco Commission FY12 Megasite Allocation	\$ 6,208,153.00				
Local Match for TIC FY12 Megasite Allocation - County Portion <sup>1</sup>	750,000.00				
Local Match for TIC FY12 Megasite Allocation - City Portion <sup>1</sup>	750,000.00				
Local Match for TIC FY12 Megasite Allocation - RIFA Portion <sup>2</sup>	181,000.00				
Transfer in from "Mega Park - Funding Other than Bond Funds" Budget <sup>3</sup>	11,203.15				
<b>Expenditures</b>					
Dewberry Engineers Inc.		1,268,487.00	593,249.40	675,237.60	
Jones Lang LaSalle		95,000.00	95,000.00	-	
Jones Lang LaSalle - Economic Analysis		12,000.00	-	12,000.00	
VA Water Protection Permit Fee		57,840.00	57,840.00	-	
Wetlands Studies and Solutions, Inc.		141,996.00	54,631.57	87,364.43	
<b>Transfers to "General Expenditures Fiscal Year 2015" Contingency <sup>3</sup></b>					
Dewberry Engineers Inc.		(108,603.35)	(108,603.35)	-	
Jones Lang LaSalle - Market Analysis Study		(95,000.00)	(95,000.00)	-	
Jones Lang LaSalle - Economic Analysis		(12,000.00)	-	(12,000.00)	
<b>Total</b>	<b>\$ 7,900,356.15</b>	<b>\$ 1,359,719.65</b>	<b>\$ 597,117.62</b>	<b>\$ 762,602.03</b>	<b>\$ 6,540,636.50</b>

<sup>1</sup> \$300,000 of this was received from each locality in June 2014. \$450,000 received in August 2014. \$450,000 received in September 2014.

<sup>2</sup> The RIFA Board approved on 2/11/2013 to transfer the remaining funds of \$175,316.17 from the "Funds Available for Appropriation" budget sheet and funds of \$5,683.83 from the "Rent, Interest, and Other Income Realized" budget sheet to use for the RIFA local match to Tobacco Commission grant #2491 for Berry Hill Mega Park Lot 4 Site Development.

<sup>3</sup> As approved by RIFA Board on 10/16/2014

**Danville-Pittsylvania Regional Industrial Facility Authority**  
 Rent, Interest, and Other Income Realized  
 As of December 31, 2014

Source of Funds	Funding Receipts			Expenditures FY2015	Unexpended / Unencumbered
	Carryforward from FY2014	Current Month	Receipts FY2015		
<u>Carryforward</u>	\$ 429,892.53				
<u>Current Lessees</u>					
Institute for Advanced Learning and Research (IALR) <sup>1</sup>					
Institute for Advanced Learning and Research (IALR)					
Securitas					
Guilford Whitetail Management					
Mountain View Farms of Virginia, L.C.					
Osborne Company of North Carolina, Inc.					
Clodfelter Hunting Lease					
<u>Total Rent</u>		\$ 300.00	\$ 37,466.20		
<u>Interest Received</u> <sup>2</sup>		\$ 93.87	\$ 554.35		
<u>Yorktowne Repayment</u>		\$ 14,425.20	\$ 14,425.20		
<u>Expenditures</u>					
Hawkins Research Bldg. Property Mgmt. Fee				\$ 33,366.20	
<b>Totals</b>	<b>\$ 429,892.53</b>	<b>\$ 14,819.07</b>	<b>\$ 52,445.75</b>	<b>\$ 33,366.20</b>	<b>\$ 448,972.08</b>

**Restricted** <sup>1</sup> \$ 357,391.06  
**Unrestricted** \$ 91,581.02

<sup>1</sup> Please note that rent proceeds must be used in accordance with the U.S. Economic Development Administration's (EDA) Standard Terms and Conditions

<sup>2</sup> Please note that this is only interest received on RIFA's general money market account.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Net Position** <sup>1,2</sup>  
**December 31, 2014\***

	<b>Unaudited FY 2015</b>
<b>Assets</b>	
<i>Current assets</i>	
Cash - checking	\$ 1,140,088
Cash - money market	1,142,185
<i>Total current assets</i>	2,282,273
<i>Noncurrent assets</i>	
Restricted cash - project fund CCC bonds	284,095
Restricted cash - debt service fund CCC bonds	1,388,796
Restricted cash - debt service fund Berry Hill bonds	153
Restricted cash - debt service reserve fund Berry Hill bonds	2,000,050
Capital assets not being depreciated	25,055,863
Capital assets being depreciated, net	25,883,079
Construction in progress	3,632,297
<i>Total noncurrent assets</i>	58,244,333
<b>Total assets</b>	<b>60,526,606</b>
<b>Liabilities</b>	
<i>Current liabilities</i>	
Bonds payable - current portion	1,108,450
<i>Total current liabilities</i>	1,108,450
<i>Noncurrent liabilities</i>	
Bonds payable - less current portion	8,408,540
<i>Total noncurrent liabilities</i>	8,408,540
<b>Total liabilities</b>	<b>9,516,990</b>
<b>Net Position</b>	
Net investment in capital assets	45,338,344
Restricted - debt reserves	3,388,999
Unrestricted	2,282,273
<b>Total net position</b>	<b>\$ 51,009,616</b>

<sup>1</sup> Please note this balance sheet does not include the Due to/Due from between the County and the City since it nets out and only changes at fiscal year-end.

<sup>2</sup> Please note this balance sheet does not include all general accounts receivable or accounts payable at the month-end date. This is because information regarding accrued receivables/payables is not available at the time of statement preparation.

\*Please note these statements are for the period ended December 31, 2014 as of December 31, 2014, the date of preparation. Due to statement preparation occurring in close proximity to month-end, these statements may not include some pending adjustments for the period.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Revenues and Expenses and Changes in Fund Net Position*  
*December 31, 2014\**

	<b>Unaudited FY 2015</b>
<b>Operating revenues</b>	
Virginia Tobacco Commission Grants	-
Reimbursement of incentive grants	14,425
Rental income	43,016
<b>Total operating revenues</b>	<b>57,441</b>
<b>Operating expenses</b> <sup>4</sup>	
Mega Park expenses <sup>3</sup>	170,582
Cane Creek Centre expenses <sup>3</sup>	19,616
Cyber Park expenses <sup>3</sup>	34,099
Professional fees	33,657
Insurance	2,416
Other operating expenses	1,042
<b>Total operating expenses</b>	<b>261,412</b>
<b>Operating loss</b>	<b>(203,971)</b>
<b>Non-operating revenues (expenses)</b>	
Interest income	557
Interest expense	(75,322)
<b>Total non-operating expenses, net</b>	<b>(74,765)</b>
<b>Net loss before capital contributions</b>	<b>(278,736)</b>
<b>Capital contributions</b>	
Contribution - City of Danville	1,119,246
Contribution - Pittsylvania County	1,119,246
<b>Total capital contributions</b>	<b>2,238,492</b>
<b>Change in net position</b>	<b>1,959,756</b>
<b>Net position at July 1,</b>	<b>49,049,860</b>
<b>Net position at December 31,</b>	<b>\$ 51,009,616</b>

<sup>3</sup> A portion or all of these expenses may be capitalized at fiscal year-end.

<sup>4</sup> Please note that most non-cash items, such as depreciation and amortization, are not included here until year-end entries are made.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Cash Flows*  
*December 31, 2014\**

	<b>Unaudited FY 2015</b>
<b>Operating activities</b>	
Receipts from grant reimbursement requests	\$ -
Receipts from reimbursement of incentive grants	14,425
Receipts from leases	30,792
Payments to suppliers for goods and services	(633,192)
<b>Net cash used by operating activities</b>	<b>(587,975)</b>
<b>Capital and related financing activities</b>	
Capital contributions	2,238,492
Interest paid on bonds	(152,706)
Principal repayments on bonds	(750,000)
<b>Net cash provided by capital and related financing activities</b>	<b>1,335,786</b>
<b>Investing activities</b>	
Interest received	557
<b>Net cash provided by investing activities</b>	<b>557</b>
<b>Net increase in cash and cash equivalents</b>	748,368
<b>Cash and cash equivalents - beginning of year (including restricted cash)</b>	<b>5,206,999</b>
<b>Cash and cash equivalents - through December 31, 2014 (including restricted cash)</b>	<b>\$ 5,955,367</b>
<b>Reconciliation of operating loss before capital contributions to net cash used by operating activities:</b>	
Operating loss	\$ (203,971)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Non-cash operating in-kind expenses	-
Changes in assets and liabilities:	
Change in prepaids	2,624
Change in due from other governments	-
Change in other receivables	2,500
Change in accounts payable	(383,278)
Change in unearned income	(5,850)
<b>Net cash used by operating activities</b>	<b>\$ (587,975)</b>

<b>Components of cash and cash equivalents at December 31, 2014:</b>	
American National - Checking	\$ 1,140,088
American National - General money market	1,142,185
Wells Fargo - \$7.3M Bonds CCC Debt service fund	1,388,796
Wells Fargo - \$7.3M Bonds CCC Project fund	284,095
US Bank - \$11.25M Bonds Berry Hill Debt service fund	153
US Bank - \$11.25M Bonds Berry Hill Debt service reserve fund	2,000,050
	<b>\$ 5,955,367</b>

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5D
<b>Meeting Date:</b>	01/12/2015
<b>Subject:</b>	Election and Reappointment of Officers for 2015
<b>From:</b>	Michael A. Guanzon, Legal Counsel to Authority

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### SUMMARY

1. Election of Chairman
2. Election of Vice Chairman
3. Reappointment of Secretary from the Authority's Staff
4. Reappointment of Treasurer from the Authority's Staff

**A RESOLUTION TO REAPPOINT THE SECRETARY AND TREASURER OF THE AUTHORITY.**

**WHEREAS**, the Danville-Pittsylvania Regional Industrial Facility Authority (the “**Authority**”) is a political subdivision of the Commonwealth of Virginia duly created pursuant to the Virginia Regional Industrial Facilities Act, as amended; and

**WHEREAS**, the Authority, pursuant to paragraph 5 of Article VI of the Amended and Restated Bylaws of the Authority (the “**Bylaws**”), is required to appoint a Secretary and Treasurer from the Authority’s staff, which may include staff provided by a Member Locality or other persons employed or contracted by the Authority;

**WHEREAS**, under paragraph 2 of Article VI of the Bylaws, the term of office of a Secretary and Treasurer shall be for the calendar year, and accordingly, the terms of Secretary Susan M. DeMasi and Treasurer Michael L. Adkins expired on December 31, 2014; and

**WHEREAS**, each of Susan M. DeMasi and Michael L. Adkins is eligible for reappointment under the paragraph 5 of Article VI of the Bylaws.

**NOW, THEREFORE, BE IT RESOLVED**, that

1. The Board hereby reappoints the following persons to serve the Authority in the office designated below and to have such powers and duties as prescribed to that person by the Bylaws and pursuant to applicable law:

**Secretary: Susan M. DeMasi** (term of office expires on December 31, 2015)  
**Treasurer: Michael L. Adkins** (term of office expires on December 31, 2015)

2. The Authority hereby authorizes and directs staff and other agents and representatives working on behalf of the Authority to take such actions and to do all such things as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions.

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

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**CERTIFICATE**

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the Directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 12, 2015, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

**WITNESS** my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this 12th day of January 2015.

(SEAL)

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**SUSAN M. DeMASI**, Secretary  
Danville-Pittsylvania Regional Industrial Facility Authority