

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

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

## **AGENDA**

**January 9, 2017**

**12:00 P.M.**

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

### **County of Pittsylvania Members**

**Jessie L. Barksdale, Chairman  
Robert Warren  
Elton W. Blackstock, Alternate**

### **City of Danville Members**

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

### **Staff**

**Ken Larking, City Manager, Danville  
David M. Smitherman, 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 NOVEMBER 16, 2016 MEETING [DECEMBER 2016 MEETING WAS CANCELLED]**

### **5. NEW BUSINESS**

- A. Election and Reappointment of Officers for Calendar Year 2017 – Jennifer H. Burnett, Esq., Clement Wheatley, Legal Counsel to the Authority (Consideration of Resolution No. 2017-01-09-5A with respect to reappointments)
  - 1. Election of Chairman
  - 2. Election of Vice Chairman
  - 3. Reappointment of Secretary of the Authority's staff – Susan M. DeMasi, City Clerk, City of Danville
  - 4. Reappointment of Treasurer from the Authority's staff – Michael L. Adkins, Director of Finance, City of Danville
- B. Consideration of Resolution No. 2017-01-09-5B, approving a Performance Agreement with Virginia Economic Development Partnership Authority in connection with the Site Characterization Grant under the Virginia Business Ready Sites Program in the amount of \$1,400.00, to assist with site characterization at the Authority's Berry Hill Industrial Park – Matthew Rowe, Economic Development Director, Pittsylvania County, Virginia and/or Jennifer H. Burnett, Esq., Clement Wheatley, Legal Counsel to the Authority
- C. Project 950/Southern Power – Receipt of Extension of Initial Due Diligence Period for an additional six (6) months and payment of Extension Fee – Matthew Rowe, Economic Development Director, Pittsylvania County, Virginia and/or Jennifer H. Burnett, Esq., Clement Wheatley, Legal Counsel to the Authority
- D. Status of request for extension of Berry Hill Mega Park special projects Tobacco Commission grants for base infrastructure – Greg Sides, Assistant County Administrator for Planning and Development, Pittsylvania County, Virginia
- E. Status of wetland and stream credits and stormwater permitting for Berry Hill Mega Park previously approved by the RIFA Board as part of the total project costs for Phase I – Shawn R. Harden, P.E., Associate, Dewberry
- F. Financial Report/Audit for Fiscal Year Ended June 30, 2016 – Michael L. Adkins, CPA, Treasurer of the Authority

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

- G. Financial Status Report as of December 31, 2016 – Michael L. Adkins, CPA, Treasurer of the Authority

### **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)(5) of the Code of Virginia, 1950, as amended (“Virginia Code”), for discussion concerning one or more prospective businesses where no previous announcement has been made of that business’s interest in locating its facilities in one or more of the Authority’s projects located in Pittsylvania County, Virginia, and/or Danville, Virginia;
- B. As permitted by Virginia Code § 2.2-3711(A)(40) for discussion or consideration of records excluded under Virginia Code § 2.2-3705.6(3) (including without limitation those certain confidential proprietary records voluntarily provided by private business pursuant to a promise of confidentiality from the Authority, and used by the Authority for business and trade development); and
- C. As permitted by Virginia Code §§ 2.2-3711(A)(3) and (29) (i) for discussion or consideration of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority; and (ii) for discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the Authority.

### **RETURN TO OPEN SESSION**

- D. Confirmation of Motion and Vote to Reconvene in Open Meeting
- E. Motion to Certify Closed Meeting

### **7. COMMUNICATIONS FROM:**

Jessie L. Barksdale  
Elton Blackstock  
Sherman M. Saunders  
Fred O. Shanks, III  
J. Lee Vogler, Jr.  
Robert Warren

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>	01/09/2017
<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 Wednesday, November 16, 2016 meeting.

### **ATTACHMENTS**

Meeting Minutes – 11/16/2016

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 16, 2016

The Regular Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority convened at 12:13 p.m. on the above date in the Danville Regional Airport Conference Room, 424 Airport Drive, Danville, Virginia. Present were City of Danville Members Vice Chairman Sherman M. Saunders, Fred O. Shanks, III and Alternate J. Lee Vogler. Pittsylvania County Members present were Chairman Jessie L. Barksdale, Robert Warren and Alternate Elton W. Blackstock.

City/County staff members attending were: City Manager Ken Larking, Pittsylvania County Administrator Clarence Monday, Pittsylvania County Director of Economic Development Matt Rowe, Assistant County Administrator for Planning & Development Gregory Sides, Assistant Director of Economic Development Corrie Teague, City of Danville Director of Finance Michael Adkins, City of Danville Senior Accountant Henrietta Weaver, Clement Wheatley Attorney Jennifer Burnett and Secretary to the Authority Susan DeMasi. Also present was Shawn Harden of Dewberry & Davis.

**PUBLIC COMMENT PERIOD**

No one desired to be heard

**APPROVAL OF MINUTES FOR THE OCTOBER 13, 2016 MEETING**

Upon **Motion** by Mr. Saunders and **second** by Mr. Warren, Minutes of the October 13, 2016 Meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

**NEW BUSINESS**

**5A. CONSIDERATION – RESOLUTION 2016-11-16-5A – PLATS FOR BERRY HILL**

Mr. Shawn Harden from Dewberry & Davis explained that Dewberry prepared the property plat for the entire Berry Hill Industrial Park. In order for staff to adequately describe the lots for economic development, they have asked that Dewberry prepare smaller exhibits, one sheet each. It will be five exhibits that will be attached to the overall property plat to describe each lot and what they are subdivided on.

Mr. Shanks **moved** adoption of *Resolution 2016-11-16-5A authorizing Dewberry Engineers, Inc. to prepare individual plats showing the newly formulated parcels at Berry Hill, to attach as exhibits to future conveyance and other instruments describing the parcels as a matter of convenience and efficiency, at a proposed cost of approximately \$6,300.00. [No written Resolution]*

The Motion was **seconded** by Mr. Warren and carried by the following vote:

VOTE: 4-0  
AYE: Barksdale, Warren, Saunders, Shanks (4)  
NAY: None (0)

**5B. CONSIDERATION – RESOLUTION 2016-11-16-5B – AMEND 1260 SOUTH BOSTON ROAD COOPERATION AGREEMENT**

Mr. Barksdale noted Item 5B has been pulled from the Agenda.

Assistant Director of Economic Development Corrie Teague explained in working with the contractor, they were able to situate the building on the original ten acres; the additional four were not needed.

There were no objections from Board members.

**5C. RECEIPT OF TERMINATION OF LEASE FROM SECURITAS**

Director of Finance Michael Adkins explained the Finance office for the City of Danville received a Notice for Termination of the Lease with Securitas. The Authority received \$300 a month from them in lease payments and the lease has been in place for seven years. They did provide the sufficient thirty day notice to discontinue this lease. Staff expects the last payment will be November 1, 2016 and they noted in the letter that the keys will be returned on or before the 30<sup>th</sup> of November.

**5D. FINANCIAL STATUS REPORT AS OF OCTOBER 31, 2016**

Director of Finance, Michael Adkins reviewed the Financial Status report as of October 31, 2016, beginning with the \$7.3M Cane Creek Centre bonds which had some expenditures. The Authority did a refinancing or refunding of those bonds in September and there were closing and legal fees. The Authority expended \$50,489 related to the closing and refinancing of those bonds. General Expenditures show the Authority spent \$21,048 for legal fees for general counsel services, \$3,000 to Brown, Edwards on the Annual Audit for FY 2016, \$271 for meals and \$32 in monthly utilities. Mega Park Funding Other Than Bonds showed no expenditures for October and Berry Hill Mega Park Lot 4 Site Development showed no expenditures for October as well. Rent, Interest and Other Income Realized shows \$19,024 collected in rent from the Institute for Advanced Learning and Research for the Charles Hawkins Research Building, \$300 in rent from Securitas and \$523 in Interest Income. The only expenditure was the Hawkins Building Management Fee paid to the Institute for Advanced Learning and Research for \$19,024.

Mr. Saunders **moved** to accept the Financial Report as presented. The Motion was **seconded** by Mr. Warren and carried by the following vote:

VOTE: 4-0  
AYE: Barksdale, Warren, Saunders, Shanks (4)  
NAY: None (0)

**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.]*

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 16, 2016

At 12:22 p.m. Mr. Shanks **moved** that the Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority be recessed in a Closed Meeting:

A. As permitted by Section 2.2-3711(A)(5) of the Code of Virginia, 1950, as amended ("Virginia Code"), for discussion concerning one or more prospective businesses where no previous announcement has been made of that business's interest in locating its facilities in one or more of the Authority's projects located in Pittsylvania County, Virginia, and/or Danville, Virginia;

B. As permitted by Virginia Code § 2.2-3711(A)(40) for discussion or consideration of records excluded under Virginia Code § 2.2-3705.6(3) (including without limitation those certain confidential proprietary records voluntarily provided by private business pursuant to a promise of confidentiality from the Authority, and used by the Authority for business and trade development); and

C. As permitted by Virginia Code §§ 2.2-3711(A)(3) and (29)(i) for discussion or consideration of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority; and (ii) for discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the Authority.

The Motion was **seconded** by Mr. Warren and carried by the following vote:

VOTE: 4-0  
AYE: Barksdale, Warren, Saunders, Shanks (4)  
NAY: None (0)

D. On **Motion** by Mr. Warren and **second** by Mr. Shanks and by unanimous vote at 12:49 p.m., the Authority returned to open meeting.

E. Mr. Warren **moved** adoption of the following Resolution:

WHEREAS, the Authority convened in Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Freedom of Information Act; and

WHEREAS, Section 2.2-3711 of the Code of Virginia, 1950, as amended, requires a Certification by the Authority that such Closed Meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED that the Authority hereby certifies that, to the best of each Member's knowledge, (i) only public business matters lawfully exempted by the open meeting requirements of Virginia Law were discussed in the Closed Meeting to which this Certification Resolution applies, and (ii) only such public business matters as were identified in the Motion convening the Closed Meeting were heard, discussed, or considered by the Authority.

The Motion was **seconded** by Mr. Shanks and carried by the following vote:

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY  
Minutes  
November 16, 2016

VOTE: 4-0  
AYE: Barksdale, Warren, Saunders, Shanks (4)  
NAY: None (0)

**7. COMMUNICATIONS**

Board Members thanked the staff for the good report, the great job they are doing and the collaboration between the City and the County. Mr. Barksdale wished everyone a good Thanksgiving Holiday.

The Meeting adjourned at 12:52 p.m.

\_\_\_\_\_  
Chairman

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

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# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5-A
<b>Meeting Date:</b>	01/09/2017
<b>Subject:</b>	Election and Reappointment of Officers for 2017
<b>From:</b>	Jennifer H. Burnett, Esq., Legal Counsel to the Authority

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### **SUMMARY**

1. Election of Chairman
2. Election of Vice Chairman
3. Reappointment of Secretary
4. Reappointment of Treasurer

### **ATTACHMENT**

Resolution 2017-01-09-5A – Reappointment of Secretary and Treasurer

**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, 2016; 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, 2017)  
**Treasurer: Michael L. Adkins** (term of office expires on December 31, 2017)

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 9, 2017, 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 9th day of January 2017.

(SEAL)

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

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5-B
<b>Meeting Date:</b>	01/09/2017
<b>Subject:</b>	Consideration of Performance Agreement with VEDPA Matthew Rowe, Pittsylvania County Director of Economic Development and/or
<b>From:</b>	Jennifer H. Burnett, Esq., Legal Counsel to the Authority

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### **SUMMARY**

The Board is being asked to consider Resolution 2017-01-09-5B approving a Performance Agreement with Virginia Economic Development Partnership Authority.

### **ATTACHMENT**

Resolution 2017-01-09-5B

**A RESOLUTION APPROVING THAT CERTAIN PERFORMANCE AGREEMENT AMONG VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY, A POLITICAL SUBDIVISION OF THE COMMONWEALTH OF VIRGINIA (“VEDPA”), THE DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY (THE “AUTHORITY”), THE COUNTY OF PITTSYLVANIA, VIRGINIA (THE “COUNTY”), AND THE CITY OF DANVILLE, VIRGINIA (THE “CITY”), REGARDING THE OBLIGATIONS AND CONDITIONS OF THE SITE CHARACTERIZATION GRANT IN THE AMOUNT OF \$1,400.00 MADE BY THE VEDPA IN CONNECTION WITH SITE CHARACTERIZATION AT THE AUTHORITY’S BERRY HILL INDUSTRIAL PARK**

**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 County of Pittsylvania, Virginia (the “**County**”), is a political subdivision of the Commonwealth of Virginia and a member of the Authority; and

**WHEREAS**, the City of Danville, Virginia (the “**City**”), is a political subdivision of the Commonwealth of Virginia and a member of the Authority; and

**WHEREAS**, upon application of the Authority, the County, and the City (collectively, “**Grantee**”), the Virginia Economic Development Partnership Authority (the “**VEDPA**”), a political subdivision of the Commonwealth of Virginia, has awarded to Grantee a site characterization grant in the amount of \$1,400.00 (the “**Site Characterization Grant**”), under the Virginia Business Ready Sites Program, to be disbursed and used by the Grantee pursuant to the terms and conditions of that certain Performance Agreement between VEDPA and the Grantee, a copy of which is attached hereto as **Exhibit A** and incorporated herein by this reference (the “**Performance Agreement**”); and

**WHEREAS**, pursuant to the terms and conditions of the Performance Agreement, the Site Characterization Grant will be disbursed to the County for the benefit of Grantee, the Site Characterization Grant must be used for “Site Characterization” as such term is defined in the Performance Agreement at the Authority’s Berry Hill Industrial Park, and the Site Characterization Grant must be repaid to the VEDPA under those circumstances set forth in Section 3 of the Performance Agreement.

**WHEREAS**, the Authority has determined that it is in the best interests of the Authority, the citizens of Pittsylvania County and the City of Danville, and the improvement of the Authority’s Berry Hill project for the Authority to execute and deliver the Performance Agreement.

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

**Resolution No. 2017-01-09-5B**

1. The Authority hereby approves the Performance Agreement as set forth in **Exhibit A** and as reviewed at this meeting, together with such amendments, deletions or additions thereto as may be approved by the Chairman or Vice Chairman of the Authority, either of whom may act independently of the other, and hereby authorizes the Chairman or Vice Chairman of the Authority, either of whom may act independently of the other, to execute and deliver the Performance Agreement on behalf of the Authority, such execution of the Performance Agreement by the Chairman and/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 Performance Agreement, 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 Performance Agreement and the matters contemplated therein.

4. 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 9, 2017, 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 9th day of January 2017.

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

(SEAL)

**Exhibit A**

**VIRGINIA BUSINESS READY SITES PROGRAM**

**SITE CHARACTERIZATION GRANT**

**PERFORMANCE AGREEMENT**

This **PERFORMANCE AGREEMENT** made and entered this 1st day of November, 2016, by and between the **VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY** (“VEDP”), a political subdivision of the Commonwealth of Virginia (the “Commonwealth”) and the **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY** (the “RIFA”), a political subdivision of the Commonwealth, the **COUNTY OF PITTSYLVANIA, VIRGINIA** (the “County”), a political subdivision of the Commonwealth, and the **CITY OF DANVILLE, VIRGINIA** (the “City”), a political subdivision of the Commonwealth (RIFA, the County and the City together, jointly and severally, the “Grantee”).

**WITNESSETH:**

WHEREAS, the Virginia Business Ready Sites Program (“VBRSP”) was established pursuant to § 2.2-2238 C. of the Code of Virginia of 1950, as amended, to identify and assess the readiness of potential industrial or commercial sites in the Commonwealth for marketing for economic development purposes;

WHEREAS, the initial step under the VBRSP for a potential industrial or commercial site is (i) an assessment to quantify the level of existing development at the site and the additional development required to bring the site to a level that will enable such site to be marketed for economic development purposes, and (ii) a designation of a tier level of readiness to the site (collectively, “Site Characterization”);

WHEREAS, the Grantee has submitted an application for a grant to assist with the costs associated with Site Characterization at the Berry Hill Industrial Park, which is owned by the RIFA and located in the County (the “Site”) and has been awarded a grant in the amount of \$1,400 (the “Site Characterization Grant”);

WHEREAS, VEDP and the Grantee desire to set forth their understanding and agreement as to the payout of the Site Characterization Grant, the use of the Site Characterization Grant proceeds, the obligations of the Grantee, and the repayment by the Grantee of all or part of the Grant under certain circumstances; and

WHEREAS, Site Characterization constitutes a valid public purpose for the expenditure of public funds and is the animating purpose for the Site Characterization Grant:

## **Resolution No. 2017-01-09-5B**

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits, promises and undertakings of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

### **Section 1. Disbursement of Grant; Use of Proceeds; Responsibility for Costs**

(a) *Disbursement:* Disbursement of the Site Characterization Grant will be made promptly after the execution and delivery of this Agreement. For purposes of administration, the Site Characterization Grant will be disbursed to the County for the benefit of the Grantee.

(b) *Use of Proceeds:* The Grantee will use the Site Characterization Grant proceeds to pay or reimburse itself for costs associated with Site Characterization at the Site. The proceeds of the Site Characterization Grant must be expended within 30 days of the expected completion date set forth in Section 2(a) below.

(c) *Responsibility for Costs:* The Grantee is responsible for one-to-one cash match of the amount of the Site Characterization Grant (“Local Match”). This Local Match may be made from public and/or private sources. The Grantee is responsible for any remaining costs of the Site Characterization.

### **Section 2. Performance; Reporting**

(a) *Performance:* The Grantee is expected to cause the completion of Site Characterization at the Site on or before February 1, 2017 (the “Completion Date”). If VEDP, in consultation with the VBRSP Review Committee, deems that good faith and reasonable efforts have been made by the Grantee to have Site Characterization completed, the Completion Date may be extended by up to 60 days. If it is determined otherwise that the Grantee is unable or unwilling to cause Site Characterization to be completed by the Completion Date, then the entire Site Characterization Grant must be repaid to VEDP in accordance with Section 3(c) below. Notwithstanding anything herein to the contrary, the Completion Date shall be extended as set forth herein if the Site Characterization is not completed by the original Completion Date, due to causes beyond the Grantee’s control, including labor disputes, civil commotion, war, fires, floods, inclement weather, governmental regulations or controls, casualty, government authority, strikes, or acts of God.

(b) *Reporting:* Within 30 days of the completion of Site Characterization, but no later than 30 days after the Completion Date, as the same may be extended, the Grantee must submit to VEDP a report summarizing the results of Site Characterization, indicating that the Site Characterization Grant proceeds have been expended and demonstrating that the balance of the costs associated with Site Characterization at the Site, including the Local Match, has been paid (the “Grant Report”).

### **Section 3. Reduction of Grant Amount; Repayment Obligation.**

**Resolution No. 2017-01-09-5B**

(a) *If Costs are Less than Anticipated:* If the Grant Report indicates that the costs of Site Characterization were less than anticipated, such that the amount of the Site Characterization Grant proceeds exceeds the Local Match made by the Grantee or that the Grantee will not need all of the Site Characterization Grant proceeds disbursed to the Grantee, the Grantee shall repay to VEDP an amount equal to the excess amount or the amount of the proceeds no longer required.

(b) *Failure to Complete by Completion Date:* As noted in Section 2(a) above, if it is determined that the Grantee is unable or unwilling to cause Site Characterization to be completed by the Completion Date, the Grantee shall repay to VEDP the entire Site Characterization Grant.

(c) *Repayment Date; Cure Period:* VEDP will provide written notification to the Grantee if any repayment is due from the Grantee to VEDP under this Agreement. Within 60 days of receiving such notification, the Grantee will make the repayment to VEDP.

**Section 4. Notices.**

Formal notices and communications among the Parties shall be given either by (i) personal service, (ii) delivery by a reputable document delivery service that provides a receipt showing date and time of delivery, (iii) mailing utilizing a certified or first class mail postage prepaid service of the United States Postal Service that provides a receipt showing date and time of delivery or (iv) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed as noted below. Notices and communications personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices and communications mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices and communications delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices and communications shall be addressed to:

if to the Grantee, to:

Matthew D. Rowe  
Director of Economic Development  
County of Pittsylvania, Virginia  
1 Center Street  
Chatman, Virginia 24531  
Email: [Matthew.Rowe@pittgov.org](mailto:Matthew.Rowe@pittgov.org)

Telly D. Tucker, CEcD  
Director of Economic Development  
City of Danville, Virginia  
427 Patton Street  
Danville, Virginia 24541  
E-mail: [telly.tucker@danvilleva.gov](mailto:telly.tucker@danvilleva.gov)

Danville-Pittsylvania Regional Industrial Facility  
Authority  
Attention: Chairman  
427 Patton Street  
Danville, Virginia 24541

**Resolution No. 2017-01-09-5B**

if to VEDP, to:

Virginia Economic Development Partnership  
901 East Cary Street, Suite 900  
Post Office Box 798 (zip: 23218-0798)  
Richmond, Virginia 23219  
Facsimile: 804.545.5611  
Email: dgundersen@yesvirginia.org  
Attention: Interim President & CEO and COO

with a copy to:

Virginia Economic Development Partnership  
901 East Cary Street, Suite 900  
Post Office Box 798 (zip: 23218-0798)  
Richmond, Virginia 23219  
Facsimile: 804.545.5617  
Email: smcninch@yesvirginia.org  
Attention: General Counsel

**Section 5. Miscellaneous.**

(a) *Entire Agreement; Amendments:* This Agreement constitutes the entire agreement between the parties hereto as to the Site Characterization Grant, and may not be amended or modified, except in writing, signed by each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Grantee may not assign its rights and obligations under this Agreement without the prior written consent of VEDP.

(b) *Governing Law; Venue:* This Agreement is made, and is intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of the Commonwealth. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court of the City of Richmond, and such litigation shall be brought only in such court. In the event this Agreement is subject to litigation, each party shall be responsible for its own attorney's fees.

(c) *Counterparts:* This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument.

(d) *Severability:* If any provision of this Agreement is determined to be unenforceable, invalid or illegal, then the enforceability, validity and legality of the remaining provisions will not in any way be affected or impaired, and such provision will be deemed to be restated to reflect the original intentions of the parties as nearly as possible in accordance with applicable law.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

**Resolution No. 2017-01-09-5B**

**IN WITNESS WHEREOF**, the parties hereto have executed this Performance Agreement as of the date first written above.

**VIRGINIA ECONOMIC  
DEVELOPMENT PARTNERSHIP  
AUTHORITY**

By \_\_\_\_\_  
Name: Daniel C. Gundersen  
Title: Interim President & CEO and COO  
Date: \_\_\_\_\_, 2016

**DANVILLE-PITTSYLVANIA  
REGIONAL INDUSTRIAL FACILITY  
AUTHORITY**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 2016

**COUNTY OF PITTSYLVANIA,  
VIRGINIA**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 2016

**CITY OF DANVILLE, VIRGINIA**

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 2016

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5-C
<b>Meeting Date:</b>	01/09/2017
<b>Subject:</b>	Receipt of Extension of Initial Due Diligence – Project 950/Southern Power
<b>From:</b>	Matthew Rowe, Pittsylvania County Director of Economic Development and/or Jennifer H. Burnett, Esq., Legal Counsel to the Authority

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### **SUMMARY**

Staff will review the receipt of Extension of Initial Due Diligence Period with respect to Project 950/Southern Power.

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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**Agenda Item No.:** Item 5-D  
**Meeting Date:** 01/09/2017  
**Subject:** Status of Request for Extension of Berry Hill Mega Park  
Special Projects Tobacco Commission Grants  
**From:** Greg Sides, Assistant County Administrator for Planning and  
Development

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# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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**Agenda Item No.:** Item 5-E  
**Meeting Date:** 01/09/2017  
**Subject:** Status Update of wetland and stream credits and Stormwater permitting for Berry Mega Park.  
**From:** Shawn R. Harden, P.E., Dewberry

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# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5-F
<b>Meeting Date:</b>	January 9, 2017
<b>Subject:</b>	FY2016 Audited Financial Report and Audit Letters
<b>From:</b>	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, 2016, 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 2016 from Brown, Edwards & Company, LLP, the independent auditors for RIFA. The auditors will attend the meeting on January 9, 2017 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, 2016

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, 2016**

# 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 the Financial Statements

We have audited the accompanying financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### 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, 2016, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Authority's 2015 financial statements, on which, in our report dated November 10, 2015, we expressed an unmodified opinion. The 2015 financial information is provided for comparative purposes only.

## 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 missing information.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 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  
November 17, 2016

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Net Position**  
**June 30, 2016**

	2016	(For Comparative Purposes Only) 2015
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,115,547	\$ 2,082,359
Prepays	2,370	2,437
<i>Total current assets</i>	<u>2,117,917</u>	<u>2,084,796</u>
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	3,179,668	3,279,661
Due from City of Danville	222,965	248,271
Capital assets not being depreciated	25,071,362	25,071,362
Capital assets being depreciated, net	24,561,601	25,369,730
Construction in progress	4,367,908	4,051,228
<i>Total noncurrent assets</i>	<u>57,403,504</u>	<u>58,020,252</u>
<b>Total assets</b>	<u>59,521,421</u>	<u>60,105,048</u>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Accounts payable - general	129,299	34,864
Accrued interest payable	58,473	68,437
Unearned revenue	3,275	7,850
Bonds payable - current	2,073,450	1,128,450
<i>Total current liabilities</i>	<u>2,264,497</u>	<u>1,239,601</u>
<i>Noncurrent liabilities</i>		
Due to Pittsylvania County	222,965	248,271
Bonds payable	5,986,640	8,060,090
<i>Total noncurrent liabilities</i>	<u>6,209,605</u>	<u>8,308,361</u>
<b>Total liabilities</b>	<u>8,474,102</u>	<u>9,547,962</u>
<b>Net position</b>		
Net investment in capital assets	46,196,617	45,570,792
Restricted - debt reserves	2,923,832	3,012,649
Unrestricted	1,926,870	1,973,645
<b>Total net position</b>	<u>\$ 51,047,319</u>	<u>\$ 50,557,086</u>

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Year Ended June 30, 2016*

	<b>2016</b>	<b>(For Comparative Purposes Only) 2015</b>
<b>Operating revenues</b>		
Virginia Tobacco Commission grants	\$ -	\$ 57,840
Other income	233,607	159,492
Reimbursement of incentive grant	76,834	14,425
<b>Total operating revenues</b>	<u>310,441</u>	<u>231,757</u>
<b>Operating expenses</b>		
Depreciation and amortization	808,129	808,129
Economic development - Cane Creek Centre	5,030	8,495
Economic development - Mega Park	20,860	26,428
Other operating expenses	403,058	240,924
<b>Total operating expenses</b>	<u>1,237,077</u>	<u>1,083,976</u>
<b>Operating loss</b>	<u>(926,636)</u>	<u>(852,219)</u>
<b>Non-operating revenues (expenses)</b>		
Interest income	5,540	1,441
Interest expense	(88,337)	(94,628)
<b>Total non-operating expenses</b>	<u>(82,797)</u>	<u>(93,187)</u>
<b>Net loss before capital contributions</b>	<u>(1,009,433)</u>	<u>(945,406)</u>
<b>Capital contributions</b>		
Contribution - City of Danville	749,833	1,226,316
Contribution - Pittsylvania County	749,833	1,226,316
<b>Total capital contributions</b>	<u>1,499,666</u>	<u>2,452,632</u>
<b>Change in net position</b>	490,233	1,507,226
<b>Net position at July 1</b>	<u>50,557,086</u>	<u>49,049,860</u>
<b>Net position at June 30</b>	<u>\$ 51,047,319</u>	<u>\$ 50,557,086</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

	2016	(For Comparative Purposes Only) 2015
<b>Operating activities</b>		
Receipts from operating grants and activities	\$ 72,259	\$ 76,765
Payments to suppliers for goods and services	68,612	(20,732)
Other payments	(151,558)	(68,350)
<b>Net cash used in operating activities</b>	<u>(10,687)</u>	<u>(12,317)</u>
<b>Capital and related financing activities</b>		
Purchase of capital assets	(156,274)	(903,442)
Capital contributions	1,481,773	2,439,550
Interest paid on bonds	(257,157)	(290,212)
Principal repayments on bonds	(1,130,000)	(1,080,000)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(61,658)</u>	<u>165,896</u>
<b>Investing activities</b>		
Interest received	5,540	1,441
<b>Net cash provided by investing activities</b>	<u>5,540</u>	<u>1,441</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(66,805)	155,020
<b>Cash and cash equivalents - beginning of year</b>	<u>5,362,020</u>	<u>5,207,000</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 5,295,215</u>	<u>\$ 5,362,020</u>
<b>Reconciliation to Statement of Net Position</b>		
Cash and cash equivalents	\$ 2,115,547	\$ 2,082,359
Restricted cash and cash equivalents	3,179,668	3,279,661
	<u>\$ 5,295,215</u>	<u>\$ 5,362,020</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

	<b>2016</b>	<b>(For Comparative Purposes Only) 2015</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (926,636)	\$ (852,219)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	808,129	808,129
Operating in-kind expenses	17,893	13,082
Changes in assets and liabilities:		
Change in prepaids	67	187
Change in other receivables	-	2,500
Change in accounts payable - general	94,435	14,004
Change in unearned revenue	(4,575)	2,000
<b>Net cash used in operating activities</b>	<b><u><u>\$ (10,687)</u></u></b>	<b><u><u>\$ (12,317)</u></u></b>
<b>Supplemental cash flow information</b>		
Capitalized interest	<b><u><u>\$ 160,406</u></u></b>	<b><u><u>\$ 188,187</u></u></b>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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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 (the 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, 2016*

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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, 2016.

**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. Restricted net position consists of reserves the Authority is required to maintain under its bond agreements.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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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, except for the funds restricted for the Berry Hill Industrial Park debt service. These funds are held in a money market security which is subject to investment risk.

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of the following at June 30, 2016:

Bond funds to be used for improvements to Cane Creek Centre	\$ 255,836
Restricted funds for Cane Creek Centre debt service	921,903
Restricted funds for Berry Hill Industrial Park debt service	<u>2,001,929</u>
	<u>\$ 3,179,668</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, 2016, the Authority held no investments.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

**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, 2016, the Authority reflects amounts due to Pittsylvania County of \$222,965 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 2017, 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, 2016, was as follows:

	June 30, 2015 Balance	Increases	Decreases	June 30, 2016 Balance
<i>Capital assets not being depreciated:</i>				
Cyber Park - Land	\$ 5,904,783	\$ -	\$ -	\$ 5,904,783
Cane Creek Centre - Land	6,104,039	-	-	6,104,039
Industrial Park - Land	13,062,540	-	-	13,062,540
<i>Total capital assets not being depreciated</i>	<u>25,071,362</u>	<u>-</u>	<u>-</u>	<u>25,071,362</u>
<i>Capital assets being depreciated:</i>				
Buildings	25,617,874	-	-	25,617,874
Building Improvements	267,000	-	-	267,000
Land Improvements	6,265,238	-	-	6,265,238
Infrastructure	2,006,965	-	-	2,006,965
<i>Total capital assets being depreciated</i>	<u>34,157,077</u>	<u>-</u>	<u>-</u>	<u>34,157,077</u>
<i>Less accumulated depreciation for:</i>				
Buildings	7,385,969	601,812	-	7,987,781
Building Improvements	63,234	7,026	-	70,260
Land Improvements	1,017,032	159,152	-	1,176,184
Infrastructure	321,112	40,139	-	361,251
<i>Total accumulated depreciation</i>	<u>8,787,347</u>	<u>808,129</u>	<u>-</u>	<u>9,595,476</u>
<i>Total capital assets being depreciated, net</i>	<u>25,369,730</u>	<u>(808,129)</u>	<u>-</u>	<u>24,561,601</u>
<i>Total capital assets, net</i>	<u>\$ 50,441,092</u>	<u>\$ (808,129)</u>	<u>\$ -</u>	<u>\$ 49,632,963</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

**6. Construction in Progress**

Construction in progress consisted of the following at June 30:

	<u>June 30, 2015</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u> <u>Balance</u>
Industrial Park*	\$ 4,051,228	\$ 316,680	\$ -	\$ 4,367,908

\* Current year additions include capitalized interest of \$160,406. The construction in progress total for this project includes an accumulated total of \$1,088,388 capitalized interest at June 30, 2016.

**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, 2016</u>
2013 Revenue Refunding bonds	\$ 5,595,000	\$ 315,000 – 4,600,000	1.85%	8/1/2016	\$ 4,600,000
2011 Revenue bonds	11,250,000	\$ 780,000 – 5,525,000	2.50 – 4.75%	9/1/2019	3,465,000
	<u>\$ 16,845,000</u>				<u>\$ 8,065,000</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. As disclosed in Note 12, the Authority issued \$3,700,000 in revenue refunding bonds and applied \$900,000 of the Cane Creek debt service reserve funds on August 1, 2016 to satisfy the outstanding balance of the 2013 revenue bonds.

Long-term debt activity for the year ended June 30, 2016 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	\$ 9,195,000	\$ -	\$ 1,130,000	\$ 8,065,000	\$ 2,075,000
Original issue discount	(6,460)	-	(1,550)	(4,910)	(1,550)
	<u>\$ 9,188,540</u>	<u>\$ -</u>	<u>\$ 1,128,450</u>	<u>\$ 8,060,090</u>	<u>\$ 2,073,450</u>

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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

**Debt Maturity Schedule**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2,075,000	210,286	2,285,286
2018	1,230,000	173,582	1,403,582
2019	1,290,000	126,218	1,416,218
2020	3,470,000	26,944	3,496,944
	<u>\$ 8,065,000</u>	<u>\$ 537,030</u>	<u>\$ 8,602,030</u>

**8. Economic Development**

In fiscal year 2016, the Authority approved an agreement where a company located in the Cane Creek Centre repaid to the Authority \$76,834 of incentives received for failure to meet certain requirements of the performance agreement.

**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, 2017 is estimated to be \$6,875.

**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 \$5,497,624 at June 30, 2016 and accumulated depreciation of \$1,538,186, 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 costs are the responsibility of the lessee. Maintenance costs are the responsibility of the Authority; however, the lessee is engaged to provide for the maintenance obligations and is compensated for these services in an amount equal to the rent paid by the lessee. For fiscal year 2016, \$221,433 of rental income was received through this lease.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2016**

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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, 2016, the Authority had approximately \$2.8 million in outstanding engineering and consulting contracts, of which approximately \$668,000 had not been expended.

**12. Subsequent Events**

On August 1, 2016, the Authority issued \$3,700,000 in revenue refunding bonds after applying \$900,000 of the Cane Creek debt service reserve funds to the outstanding balance. These bonds were issued to satisfy the outstanding balance of the Series 2013 revenue bonds. The debt maturity schedule included in Note 7 reflects payments due based upon this refunding.

On October 13, 2016, the Authority approved an agreement where a company located in the Cane Creek Centre will repay to the Authority approximately \$114,600 of incentives received for failure to meet certain requirements of the performance agreement.

**13. 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.

\* \* \* \* \*

**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, 2016, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 17, 2016.

**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 opinions 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 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 Authority'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  
November 17, 2016

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS  
Year Ended June 30, 2016**

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

Uniform Disposition of Unclaimed Property Act

Conflicts of Interest

**DANVILLE-PITTSYLVANIA REGIONAL  
INDUSTRIAL FACILITY AUTHORITY**

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

**June 30, 2016**

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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, 2016, 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 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
November 17, 2016

## DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

### PRIOR YEAR COMMENTS AND SUGGESTIONS

June 30, 2016

#### 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 mitigating 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, 2016

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. 74**

**GASB Statement No. 74**, *Financial Reporting for Postemployment Benefit Plans other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

**GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

**GASB Statement No. 74** will be effective for the year ending June 30, 2017.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2016

### GASB STATEMENT NO. 75

**GASB Statement No. 75**, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

**GASB Statement No. 75** will be effective for the year ending June 30, 2018.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2016

### GASB STATEMENT NO. 77

Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. **GASB Statement No. 77, Tax Abatement Disclosures** is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time.

Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements.
- The specific taxes being abated.
- The gross dollar amount of taxes abated during the period.

**GASB Statement No. 77** will be effective for the year ending June 30, 2017.

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**ACCOUNTING AND OTHER MATTERS**

**June 30, 2016**

**GASB STATEMENT NO. 78**

The objective of **GASB Statement No. 78**, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

**GASB Statement No. 78** will be effective for the year ending June 30, 2017.

**GASB STATEMENT NO. 79**

**GASB Statement No. 79**, *Certain External Investment Pools and Pool Participants* addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

**GASB Statement No. 79** will be effective for the year ending June 30, 2017.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2016

### GASB STATEMENT NO. 80

**GASB Statement No. 80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* will improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining whether Certain Organizations are Component Units*.

**GASB Statement No. 80** will be effective for the year ending June 30, 2018.

### GASB STATEMENT NO. 81

**GASB Statement No. 81**, *Irrevocable Split-Interest Agreements* will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split interest agreements can be created through trusts – or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements – in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

**GASB Statement No. 81** will be effective for the year ending June 30, 2017.

### GASB STATEMENT NO. 82

The objective of **GASB Statement No. 82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2016

### GASB STATEMENT NO. 82 (Continued)

Prior to the issuance of this Statement, Statements No. 67 and No. 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements No. 67 and No. 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement No. 67, Statement No. 68, or Statement No. 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement No. 67 and as employee contributions for purposes of Statement No. 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

**GASB Statement No. 82** will be effective for the year ending June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

### CURRENT GASB PROJECTS

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

- ***Asset Retirement Obligations.*** The objective of this project would be to improve financial reporting by developing requirements on recognition for asset retirement obligations (ARO), other than landfills. The achievement of this objective would reduce inconsistency in current reporting and, therefore, enhance comparability between governments. The project also will improve the usefulness of information for decisions and analysis of various users of external financial reports of governments by developing disclosure requirements for AROs. An exposure draft document was issued in December 2015 with the comment period for the exposure draft, and the field test both ending on March 31, 2016. A final statement is expected in November 2016.
- ***Certain Debt Extinguishments Using Existing Resources.*** This project addresses certain issues identified during the pre-agenda research that evaluated the effectiveness of Statements No. 7, *Advance Refundings Resulting in Defeasance of Debt*, and No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, and relevant sections of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The project will consider improvements to the existing guidance related to debt extinguishments using existing resources. Debt extinguishments connected with troubled debt restructurings and bankruptcy, which are addressed in other pronouncements, are not included. An exposure draft is expected in August 2016, with a final statement in May 2017.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2016

### CURRENT GASB PROJECTS (Continued)

- **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. Deliberations recommenced in conjunction with the Financial Reporting Model project in October 2015.
- **Fiduciary Responsibilities.** The primary objective of this project would be to develop guidance regarding the application of the fiduciary responsibility criterion 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. An exposure draft document was issued for public comment in December 2015 with the comment period ending March 31, 2016. A final statement is expected in December 2016.
- **Financial Reporting Model.** The objective of this project is to make improvements to the financial reporting model, including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other reporting model-related pronouncements (Statements No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and No. 46, *Net Assets Restricted by Enabling Legislation, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*). The objective of these improvements would be to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government’s accounting and address certain application issues, based upon the results of the pre-agenda research on the financial reporting model. The project is currently in deliberations with an exposure draft expected in December 2019, with a final statement in May 2021.
- **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 was issued for public comment in January 2016 and the comment period ended May 31, 2016. A final statement is expected in December 2016.

# DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

## ACCOUNTING AND OTHER MATTERS

June 30, 2016

### CURRENT GASB PROJECTS (Continued)

- ***Revenue and Expense Recognition.*** The objective of this project is to develop a comprehensive application model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions, including guidance for exchange transactions that has not been specifically addressed in the current literature. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. The project is currently in deliberations, with a final statement expected in June 2022.

### STATEMENTS OF ECONOMIC INTERESTS

The Virginia Conflict of Interest and Ethics Advisory council has implemented a \$250 late filing penalty for Statement of Economic Interest (SoEI) filers. This late fee will apply to all SoEI's filed after each filing deadline, June 15 and December 15. The late filing penalty does not apply to financial disclosure filers. Late filing lists should be submitted to the local Commonwealth attorney who will assess and collect the penalty from each individual who is late or does not file.



## 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 Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2016. 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 May 26, 2016. 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 Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2016. 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.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements noted during the June 30, 2016 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 November 17, 2016, 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 Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Restriction on Use

This information is intended solely for the information and 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
November 17, 2016

# Danville - Pittsylvania Regional Industrial Facility Authority

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

November 17, 2016

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

This representation letter is provided in connection with your audit of the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), which comprise the respective financial position of the Authority as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended, and the related 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 November 17, 2016, 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 May 26, 2016, 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.
- 10) We have provided the planning communication letter to all members of those charged with governance as requested.

#### **Information Provided**

- 11) 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 [and all audit or relevant monitoring reports, if any, received from funding sources].
  - 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.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) 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.
- 14) 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.
- 15) 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.
- 16) 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.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) 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**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.
- 21) 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.
- 22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

- 23) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 24) 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.
- 25) We have identified and disclosed to you all instances, which 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.
- 26) 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.
- 27) 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.
- 28) 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.
- 29) 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.
- 30) 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.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.
- 32) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 33) Provisions for uncollectible receivables have been properly identified and recorded.
- 34) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 36) Capital assets have been evaluated for potential impairment as a result of significant and unexpected decline in service utility, changes in market value, or the marketability of land.
- 37) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASBS) 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.
- 38) 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.
- 39) 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, 2016. We are in agreement with the changes in the due to/from account based on the contributions by each locality in FY 2016.
- 40) Expenditures of federal awards were below the \$750,000 threshold in the audit period, and we were not required to have an audit in accordance with Uniform Guidance.

- 41) We reaffirm the representations made to you in our letter dated November 5, 2015 regarding your audit for the fiscal year ended June 30, 2015.
- 42) 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.
- 43) 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.
- 44) 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.
- 45) We do not believe that the interest costs being capitalized on the Berry Hill Industrial Park annually are increasing the cost of the land beyond current fair market value.

Signature: Kenneth F. Lankford  
Title: City of Danville – City Manager

Signature: Michael S. Adkins  
Title: City of Danville – Finance Director

Signature: Clifford M. Moxley  
Title: Pittsylvania County – County Administrator

Signature: Rumbold G. Van Du Hye  
Title: Pittsylvania County – Finance Director

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

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<b>Agenda Item No.:</b>	Item 5G
<b>Meeting Date:</b>	January 9, 2017
<b>Subject:</b>	Financial Status Reports – December 31, 2016
<b>From:</b>	Michael L. Adkins, Authority Treasurer

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### **SUMMARY**

A review of the financial status reports through December 31, 2016 will be provided at the meeting. The financial status reports as of December 31, 2016 are attached for the DPRIFA Board's review.

### **RECOMMENDATION**

Staff recommends approving the financial status reports as of December 31, 2016 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 Expenditures for FY2017
- 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, 2016

<u>Funding</u>	<u>Funding</u>	<u>Budget / Contract Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / 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	28,554.12	43,326.88	
<b>Land</b>		-	2,792,945.57	-	
<b>Demolition services</b>		71,261.62	71,261.62	-	
<b>Legal fees</b>		-	109,908.08	-	
<b>CCC - Lots 3 &amp; 9 project - RIFA Local Share <sup>6</sup></b>		142,190.00	112,464.98	-	
<b>Other expenditures</b>		-	339,846.72	-	
<b>Total</b>	<b>\$ 7,578,582.12</b>	<b>\$ 4,311,140.12</b>	<b>\$ 7,381,997.45</b>	<b>\$ 43,326.88</b>	<b>\$ 153,257.79</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>\*</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 9/30/2010 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 8/1/2013 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 2017

As of December 31, 2016

	<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 FY2016	101,941.49				
<b>Contingency</b>					
Miscellaneous contingency items		\$ 143,441.49	\$ 21.82	\$ -	\$ 143,419.67
Berry Hill Wilmot Project (Lot 3B)			7,137.50		(7,137.50)
<b>Total Contingency Budget</b>		<u>143,441.49</u>	<u>7,159.32</u>	-	<u>136,282.17</u>
<b>Legal</b>		80,000.00	34,018.31	-	45,981.69
<b>Accounting</b>		20,300.00	20,300.00	-	-
<b>Annual Bank Fees</b>		600.00		-	600.00
<b>Postage &amp; Shipping</b>		100.00		-	100.00
<b>Meals</b>		4,000.00	1,597.58	-	2,402.42
<b>Utilities</b>		500.00	124.63	-	375.37
<b>Insurance</b>		3,000.00		-	3,000.00
<b>Total</b>	<u>\$ 251,941.49</u>	<u>\$ 251,941.49</u>	<u>\$ 63,199.84</u>	<u>\$ -</u>	<u><u>\$ 188,741.65</u></u>

**Danville-Pittsylvania Regional Industrial Facility Authority**

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

As of December 31, 2016

<b>Funding</b>	<b>Funding</b>	<b>Budget / Contract Amount</b>	<b>Expenditures</b>	<b>Encumbered</b>	<b>Unexpended / Unencumbered</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	973,629.29	17,220.71	
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>\$ 14,214,304.12</b>	<b>\$ 17,220.71</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, 2016

	<u>Funding</u>	<u>Budget / Contract</u> <u>Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended /</u> <u>Unencumbered</u>
<b>Funding</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.		1,637,985.74	1,276,694.24	361,291.50	
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	76,966.39	65,029.61	
<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>\$ 1,729,218.39</b>	<b>\$ 1,302,897.28</b>	<b>\$ 426,321.11</b>	<b>\$ <u>6,171,137.76</u></b>

<sup>1</sup> \$300,000 of this was received from each locality 6-2014. \$450,000 received 8-2014. \$450,000 received 9-2014.

<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 for Fiscal Year 2017

As of December 31, 2016

<b>Source of Funds</b>	<b>Funding Receipts</b>		<b>Expenditures FY2017</b>	<b>Unexpended / Unencumbered</b>
	<b>Carryforward from FY2016</b>	<b>Current Month</b>		
<u>Carryforward</u>	\$ 548,731.95			
<u>Current Lessees</u>				
Institute for Advanced Learning and Research (IALR) <sup>1</sup>				
Cyberpark				
Hawkins Research Bldg. at 230 Slayton Ave.		\$ 21,400.32	\$ 116,224.25	
Institute for Advanced Learning and Research (IALR)				
Cyberpark				
IALR Building at 150 Slayton Ave.				
Securitas				
Cyberpark		-	1,200.00	
Capital Outdoor, Inc.				
Cane Creek				
Lot 6				
<b>Total Rent</b>		\$ 21,400.32	\$ 117,424.25	
<u>Interest Received</u> <sup>2</sup>		\$ 575.23	\$ 2,653.24	
<u>Yorktowne Repayment</u>		\$ 114,598.88	\$ 114,598.88	
<b>Expenditures</b>				
Hawkins Research Bldg. Property Mgmt. Fee			\$ 94,823.93	
Disbursement to Blair Construction, Inc. for Hawkins Lab Upfit			\$ 43,696.00	
<b>Totals</b>	<b>\$ 548,731.95</b>	<b>\$ 136,574.43</b>	<b>\$ 234,676.37</b>	<b>\$ 138,519.93</b>
				<b>\$ 644,888.39</b>

**Restricted** <sup>1</sup>     \$ 335,095.38  
**Unrestricted**     \$ 309,793.01

<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, 2016\***

	<b>Unaudited FY 2017</b>
<b>Assets</b>	
<i>Current assets</i>	
Cash - checking	\$ 867,812
Cash - money market	1,149,163
<i>Total current assets</i>	2,016,975
<i>Noncurrent assets</i>	
Restricted cash - project fund CCC bonds	203,085
Restricted cash - debt service fund CCC bonds	410,269
Restricted cash - debt service fund Berry Hill bonds	3,270
Restricted cash - debt service reserve fund Berry Hill bonds	2,000,895
Capital assets not being depreciated	25,071,362
Capital assets being depreciated, net	24,561,601
Construction in progress	4,367,908
<i>Total noncurrent assets</i>	56,618,390
<b>Total assets</b>	<b>58,635,365</b>
<b>Liabilities</b>	
<i>Current liabilities</i>	
Bonds payable - current portion	843,450
<i>Total current liabilities</i>	843,450
<i>Noncurrent liabilities</i>	
Bonds payable - less current portion	5,506,640
<i>Total noncurrent liabilities</i>	5,506,640
<b>Total liabilities</b>	<b>6,350,090</b>
<b>Net Position</b>	
Net investment in capital assets	47,853,866
Restricted - debt reserves	2,414,434
Unrestricted	2,016,975
<b>Total net position</b>	<b>\$ 52,285,275</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, 2016 as of December 27, 2016, 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, 2016\**

	<b>Unaudited FY 2017</b>
<b>Operating revenues</b>	
Reimbursement of incentive grants	114,599
Rental income	120,699
<b>Total operating revenues</b>	<b>235,298</b>
<b>Operating expenses</b> <sup>4</sup>	
Mega Park expenses <sup>3</sup>	168,698
Cane Creek Centre expenses <sup>3</sup>	51,022
Cyber Park expenses <sup>3</sup>	139,819
Professional fees	45,647
Insurance	2,140
Other operating expenses	2,047
<b>Total operating expenses</b>	<b>409,373</b>
<b>Operating income (loss)</b>	<b>(174,075)</b>
<b>Non-operating revenues (expenses)</b>	
Interest income	4,889
Interest expense	(60,779)
<b>Total non-operating expenses, net</b>	<b>(55,890)</b>
<b>Net income (loss) before capital contributions</b>	<b>(229,965)</b>
<b>Capital contributions</b>	
Contribution - City of Danville	733,960
Contribution - Pittsylvania County	733,960
<b>Total capital contributions</b>	<b>1,467,920</b>
<b>Change in net position</b>	<b>1,237,955</b>
<b>Net position at July 1, 2016</b>	<b>51,047,320</b>
<b>Net position at December 31, 2016</b>	<b>\$ 52,285,275</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, 2016\**

	<b>Unaudited FY 2017</b>
<b>Operating activities</b>	
Receipts from grant reimbursement requests	\$ -
Receipts from reimbursement of incentive grants	114,599
Receipts from leases	117,424
Payments to suppliers for goods and services	(536,302)
<b>Net cash used by operating activities</b>	<b>(304,279)</b>
<b>Capital and related financing activities</b>	
Capital contributions	1,467,920
Interest paid on bonds	(119,250)
Principal repayments on bonds	(1,710,000)
<b>Net cash provided by capital and related financing activities</b>	<b>(361,330)</b>
<b>Investing activities</b>	
Interest received	4,889
<b>Net cash provided by investing activities</b>	<b>4,889</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	(660,720)
<b>Cash and cash equivalents - beginning of year (including restricted cash)</b>	<b>5,295,214</b>
<b>Cash and cash equivalents - through December 31, 2016 (including restricted cash)</b>	<b>\$ 4,634,494</b>
<b>Reconciliation of operating loss before capital contributions to net cash used by operating activities:</b>	
Operating income (loss)	\$ (174,075)
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	2,370
Change in due from other governments	-
Change in other receivables	-
Change in accounts payable	(129,299)
Change in unearned income	(3,275)
<b>Net cash used by operating activities</b>	<b>\$ (304,279)</b>

<b>Components of cash and cash equivalents at December 31, 2016:</b>	
American National - Checking	\$ 867,812
American National - General money market	1,149,163
Wells Fargo - \$7.3M Bonds CCC Debt service fund	410,269
Wells Fargo - \$7.3M Bonds CCC Project fund	203,085
US Bank - \$11.25M Bonds Berry Hill Debt service fund	3,270
US Bank - \$11.25M Bonds Berry Hill Debt service reserve fund	2,000,895
	<b>\$ 4,634,494</b>