

Danville-Pittsylvania Regional Industrial Facility Authority

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

AGENDA

January 13, 2014

12:00 P.M.

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

County of Pittsylvania Members

**Coy E. Harville, Chair
James H. Snead
Brenda H. Bowman, Alternate**

City of Danville Members

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

Staff

**Joseph C. King, City Manager, Danville
Otis S. Hawker, Interim Pittsylvania County Administrator
Clement & Wheatley, Legal Counsel to Authority
Susan M. DeMasi, Authority Secretary
Barbara A. Dameron, 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 Chair/Vice Chair 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 FOR THE DECEMBER 9, 2013 MEETING

5. NEW BUSINESS

- A. Consideration of Resolution 2014-01-13-5A, approving that certain Supplement to Declaration of Protective Covenants for the Authority's Cane Creek Centre project, which adds to that project the following properties of the Authority: (i) Lots 30, 31, 32, 46, 47, and 48 (GPIN 2347-23-9278), located in Pittsylvania County, Virginia, purchased from Margaret H. Parker; (ii) Lots 15, 16, and 17 (GPIN 2347-23-4703), located in Pittsylvania County, Virginia, purchased from L.C. Walters and Shara J. Walters; and (iii) Lot 1, containing 17.078 acres and a 2.21' wide strip of land (PIN 75066), located in Danville, Virginia, purchased from Lakeside Farm, Inc. – Clement & Wheatley, the Authority's legal counsel
- B. Consideration of Resolution 2014-01-13-5B, approving a one-year renewal of the lease with Mountain View Farms of Virginia, L.C., a Virginia limited liability company, as tenant, for that certain real property (GPIN 1356-75-8216) of the Authority, containing approximately 30 acres and fronting on Stateline Bridge Road, in the Authority's Mega Park project, in Pittsylvania County, Virginia, for the purpose of planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, at a total rental fee of \$1,200.00 – Coy E. Harville, Chairman
- C. Consideration of Resolution 2014-01-13-5C, approving that certain deed to Industrial Development Authority of Danville, Virginia, a political subdivision of the Commonwealth of Virginia (the "IDA"), pursuant to that certain Cane Creek Lot 8 Cooperation Agreement dated November 14, 2013, with the IDA, as approved under Resolution No. 2013-11-14-6D – Clement & Wheatley, the Authority's legal counsel
- D. Consideration of Resolution 2014-01-13-5D, authorizing and directing the staff of the Authority to arrange and contract on its behalf, for the demolition of structures and other improvements located on the Authority's lots located in the Authority's Cane Creek Centre project in preparation for further development and marketing to prospective businesses; the cost of a demolition project on a single lot shall not exceed \$10,000 - Jeremy A. Stratton, Director of the Office of Economic Development, City of Danville *[No written resolution.]*
- E. Financial Status Report as of December 31, 2013 – Barbara A. Dameron, CPA, Authority Treasurer; and Patricia K. Conner, CPA, City of Danville Senior Accountant

Danville-Pittsylvania Regional Industrial Facility Authority

- F. Financial Report for fiscal year ending June 30, 2013, and other items from Brown, Edwards & Company, LLP, the independent auditors for the Authority – Ms. Dameron and Ms. Conner

6. CLOSED SESSION

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

- A. As permitted by Section 2.2-3711(A)(3) of the Code of Virginia, 1950, as amended, for discussion or consideration of the disposition of real property for a public purpose to develop the Authority's Cane Creek Centre project, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority.
- B. As permitted by Section 2.2-3711(A)(5) of the Code of Virginia, 1950, as amended, for discussion concerning a prospective business or industry where no previous announcement has been made of the business' or industry's interest in locating its facilities in the Authority's Cane Creek Centre project or Mega Park project.
- C. As permitted by Section 2.2-3711(A)(7) of the Code of Virginia, 1950, as amended, for consultation with its legal counsel, Clement & Wheatley, pertaining to *Danville-Pittsylvania RIFA v. AVRC, Inc.*, Case No. CL12000634-00, in the Circuit Court for the City of Danville, Virginia, where such consultation in open meeting would adversely affect the negotiating or litigating posture 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:

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

8. ADJOURN

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	4
Meeting Date:	1/13/14
Subject:	Meeting Minutes
From:	Susan M. DeMasi, Authority Secretary

SUMMARY

Attached for the Board's approval are the Meeting Minutes from the December 9, 2013 meeting.

ATTACHMENTS

Meeting Minutes – 12/09/13

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 9, 2013

The Regular Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority convened at 12:17 p.m. on the above date in the Danville Regional Airport Conference Room, 424 Airport Drive, Danville, Virginia. Present were City of Danville Members Chairman Sherman M. Saunders, Fred O. Shanks, III and Alternate J. Lee Vogler. Pittsylvania County Members present were Vice Chairman Coy E. Harville, James Snead, and alternate Jessie L. Barksdale.

City/County staff members attending were: City Manager Joe King, Assistant County Administrator for Planning & Development Gregory Sides, City of Danville Director of Public Works Ric Drazenovich, City of Danville Division Director of Planning Kenny Gillie, Director of Economic Development Jeremy Stratton, Governmental Affairs Consultant Lynwood Wright, City of Danville Finance Director/Authority Treasurer Barbara Dameron, City of Danville Senior Accountant Patricia Conner, Clement & Wheatley Attorney Michael Guanzon and Secretary to the Authority Susan DeMasi. Also present were Dewberry and Davis Project Manager Shawn Harden.

Chairman Saunders noted he would like to add a Closed Session to the Agenda. Mr. Harville **moved** to add Item 5.1, Closed Session to the Agenda. The Motion was **seconded** by Mr. Shanks and carried by the following vote:

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

PUBLIC COMMENT PERIOD

No one present desired to be heard.

APPROVAL OF MINUTES OF THE NOVEMBER 14, 2013 MEETING

Upon **Motion** by Mr. Shanks and **second** by Mr. Snead, Minutes of the November 14, 2013 meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

NEW BUSINESS

5A. UPDATES ON PROJECTS OF THE AUTHORITY

City of Danville Economic Development Director Jeremy Stratton noted that the Executive Summary outlines the status of the companies in the Cane Creek Centre and Cyber Park. If members have any questions about any specific project he would be happy to answer them. Mr. Snead asked if there were any updates on Green Energy and Mr. Stratton noted they are hoping that their private equity source of funding will close before Christmas.

5B. NOTICE FROM CITY PLANNING COMMISSION REGARDING REZONING APPLICATION

City of Danville Division Director of Planning Kenny Gillie noted the City's Parks & Recreation is asking to rezone approximately 80.619 acres of a 102 acre tract to allow it to be consolidated with another tract to make the approximately 337 acre Angler's Park.

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Angler's Park. While called Angler's Park, it is not officially a park; the City is hoping by doing this rezoning and allowing the consolidation, to actually create that park. In order to consolidate property it has to share the same zoning classification, that is why staff is asking to down-zone it so it can be consolidated with the additional property to actually make the park. Mr. King noted as an adjoining property owner, of the Cyber Park, RIFA has the right to weigh in. Mr. Harville stated that on behalf of RIFA, he would like to make a recommendation that the RIFA board approve this and provide a letter of support. Mr. Shanks **seconded** Mr. Harville's motion. Mr. Shanks asked if this rezoning would have a negative impact on other uses. Mr. King noted that this property is better suited for park use and is not impinging on any future economic development project.

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

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

5C. CONSIDERATION – RESOLUTION 2013-12-09-5C – APPROVING CERTAIN CONTRACT FOR PURCHASE OF UNIMPROVED PROPERTY

RIFA Attorney Michael Guanzon noted this property is an adjacent property in support of the Tom's Fork Road property.

Mr. Snead **moved** adoption of *Resolution 2013-12-09-5C, approving that certain Contract for Purchase of Unimproved Property with Jeffrey Scott Jarrett as seller, for the Authority's purchase of approximately 3.1 acres out of Tract A-1 fronting on Sellers Road (GPIN 2347-23-3341), located in Pittsylvania County, Virginia, at a purchase price of \$107,880.00 (or \$34,800.00 per acre), such contract includes without limitation an earnest money deposit of \$5,394.00, and a minimum study period of 90 days; and the property would be added to, and made a part of, the Authority's Cane Creek Centre project located in Pittsylvania County, Virginia.*

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

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

5D. FINANCIAL STATUS REPORT AS OF NOVEMBER 30, 2013

City of Danville Senior Accountant Patricia Conner gave the Financial Status Report as of November 30, 2013 noting that under Cane Creek Bond Proceeds, about \$8,300 was spent purchasing the Harper properties, \$7,300 to ECS Mid Atlantic for surveys and site assessments, \$860 for Power Signs to change the name on the sign for Swedwood to Ikea and \$1,580 paid to Reynolds Clarke for survey work they did on the Jarrett property. General Expenditures for FY2014 show the \$67,000 amount carried forward that was left over from FY2013; \$372 was paid to O.F. Newman and Sons for padlocks for the Mega Park, \$1,700 for meals for the October 17th Board meeting and \$26 for Utilities. Berry Hill Mega Park Lot 4 Site Development shows payment of \$1,300 to Wetland Studies and Solutions. Under Rent, Interest and Other Income approximately \$9,400 is rent from the

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Institute and expenditures of \$19,000 for the Charles Hawkins' Management Fee for two months. Mr. Harville **moved** to accept the Financial Report as presented. The Motion was seconded by Mr. Shanks and **carried** by the following vote:

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

5E. ELECTION AND REAPPOINTMENT OF OFFICERS

Mr. Shanks **nominated** Coy Harville for Chairman of the RIFA Board. The Motion was seconded by Mr. Snead. Mr. Harville moved to close the nominations and was seconded by Mr. Snead. The **Motion** nominating Mr. Harville for Chairman was carried by the following vote:

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

Mr. Snead **nominated** Sherman Saunders as Vice Chairman of the RIFA Board. The Motion was seconded by Mr. Shanks. Mr. Harville moved that the nominations be closed and was seconded by Mr. Snead. The **Motion** nominating Mr. Saunders for Vice Chairman was carried by the following vote:

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

Mr. Harville moved that the RIFA Board reappoint Susan DeMasi as Secretary and Barbara Dameron as Treasurer. The **Motion** was seconded by Mr. Snead and carried by the following vote:

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

5.1 CLOSED SESSION

Chairman Saunders noted that 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. At 12:35 p.m., Mr. Harville **moved** that the Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority be recessed in a Closed Meeting as permitted by Section 2.2-3711(A)(5) of the Code of Virginia, 1950, as amended, for discussion on a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the Authority's Mega Park project.

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 9, 2013

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

On **Motion** by Mr. Harville and **second** by Mr. Snead and by unanimous vote at 1:12 p.m., the Authority returned to open meeting.

Mr. Snead **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. Harville and carried by the following vote:

VOTE: 4-0
AYE: Harville, Snead, Saunders, Shanks (4)
NAY: None (0)

COMMUNICATIONS

Board Members wished everyone a Merry Christmas and Happy New Year.

MEETING ADJOURNED AT 1:15 P.M.

Chairman

Secretary to the Authority

A RESOLUTION APPROVING THAT CERTAIN SUPPLEMENT TO DECLARATION OF PROTECTIVE COVENANTS FOR THE AUTHORITY'S CANE CREEK CENTRE PROJECT, WHICH ADDS TO THAT PROJECT THE FOLLOWING PROPERTIES OF THE AUTHORITY: (I) LOTS 30, 31, 32, 46, 47, AND 48 (GPIN 2347-23-9278), LOCATED IN PITTSYLVANIA COUNTY, VIRGINIA, PURCHASED FROM MARGARET H. PARKER; (II) LOTS 15, 16, AND 17 (GPIN 2347-23-4703), LOCATED IN PITTSYLVANIA COUNTY, VIRGINIA, PURCHASED FROM L.C. WALTERS AND SHARA J. WALTERS; AND (III) LOT 1, CONTAINING 17.078 ACRES AND A 2.21' WIDE STRIP OF LAND (PIN 75066), LOCATED IN DANVILLE, VIRGINIA, PURCHASED FROM LAKESIDE FARM, INC.

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 (Virginia Code §§ 15.2-6400 *et seq.*) as amended; and

WHEREAS, the Authority made that certain Declaration of Protective Covenants, dated July 12, 2000 (the "**Original Declaration**"), and recorded in the Clerk's Office of the Circuit Court of the County of Pittsylvania, Virginia (the "**County Clerk's Office**"), as Instrument No. 05-06158, in Deed Book 1505, at page 237, and recorded in the Clerk's Office of the Circuit Court of the City of Danville, Virginia (the "**City Clerk's Office**"), as Instrument No. 05-4233, at page 189; and

WHEREAS, the Authority and others amended the Original Declaration by that certain Amendment to Declaration of Protective Covenants, dated April 24, 2012, recorded in the County Clerk's Office as Instrument No. 12-03321, at page 104, and recorded in the City Clerk's Office as Instrument No. 12-1999, at page 1 (the Original Declaration, as amended or supplemented, shall be referred to herein as the "**Declaration**"); and

WHEREAS, Section 10.4 of the Original Declaration provides:

"10.4 EXTENSION TO INCLUDE ADDITIONAL PROPERTY

The Authority may at any time make subject to these Protective Covenants other properties now or hereafter owned by the Authority by executing an instrument in writing applying these Covenants to such other properties and by properly recording the same. Upon such recordation (1) these Covenants shall run with the Property already subject thereto and with such additional property as if such Covenants had always applied to all of said land from the date of inception of these Covenants; and (2) whenever thereafter in construing this Declaration reference is

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made to 'the Property'[,] said term shall mean and include not only the Property described in Exhibit 'A' [in the Original Declaration], but also such additional properties as may be[,] but need not be[,] contiguous to other properties owned by the Authority and made subject to these Covenants..."; and

WHEREAS, the Authority, in further development of its Cane Creek Centre project, desires to avail itself of Section 10.4 of the Original Declaration and to execute a Supplement to Declaration of Protective Covenants (the "**Supplement**"), the form of which is attached hereto as **Exhibit "A"**, incorporated herein by this reference, to make subject to the Declaration, certain of the Authority's properties (as more particularly described below) that were acquired after the recordation of the Original Declaration; and

WHEREAS, the Authority has determined that the Supplement is in furtherance of the Authority's purpose to enhance the economic base for the member localities by developing, owning, and operating one or more facilities on a cooperative basis involving its member localities.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby authorizes and directs its Chairman and/or Vice Chairman, either of whom may act independently of the other, to execute and deliver, and otherwise pursue, the Supplement, together with such amendments, deletions or additions to the Supplement as may be approved by its Chairman or Vice Chairman (as the case may be), and such execution of the same by its Chairman or Vice Chairman (as the case may be) to conclusively establish his approval of any amendments, deletions or additions thereto.

2. The Authority hereby authorizes its Chairman and Vice Chairman, either of whom may act independently of the other, to execute and deliver such other documents in connection with the Supplement, as may be approved by its Chairman or Vice Chairman (as the case may be), such execution by its Chairman or Vice Chairman (as the case may be) to conclusively establish his approval of such other documents.

3. 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 Supplement or as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of this Resolution.

4. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, its agents and representatives, in respect to the Supplement and the matters contemplated in this Resolution.

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 13, 2014, 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 _____ day of January 2014.

Susan M. DeMasi, Secretary
Danville-Pittsylvania Regional Industrial Facility
Authority

(SEAL)

Exhibit "A"

**THIS INSTRUMENT WAS PREPARED BY AND
AFTER RECORDING SHOULD BE RETURNED TO:**

**Clement Wheatley
549 Main Street (24541), P.O. Box 8200
Danville, VA 24543-8200**

County GPINs: 2347-23-9278; 2347-23-4703
City PIN: 75066

**CANE CREEK CENTRE
SUPPLEMENT TO DECLARATION OF PROTECTIVE COVENANTS**

THIS SUPPLEMENT TO DECLARATION OF PROTECTIVE COVENANTS (this "**Supplement**") is made and entered into as of the 13th day of January 2014, by **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY** (the "**Authority**"), a political subdivision of the Commonwealth of Virginia.

WHEREAS, the Authority made that certain Declaration of Protective Covenants, dated July 12, 2000 (the "**Original Declaration**"), and recorded in the Clerk's Office of the Circuit Court of the County of Pittsylvania, Virginia (the "**County Clerk's Office**"), as Instrument No. 05-06158, in Deed Book 1505, at page 237, and recorded in the Clerk's Office of the Circuit Court of the City of Danville, Virginia (the "**City Clerk's Office**"), as Instrument No. 05-4233, at page 189; and

WHEREAS, the Authority and others amended the Original Declaration by that certain Amendment to Declaration of Protective Covenants, dated April 24, 2012, recorded in the County Clerk's Office as Instrument No. 12-03321, at page 104, and recorded in the City Clerk's Office as Instrument No. 12-1999, at page 1 (the Original Declaration, as amended or supplemented, shall be referred to herein as the "**Declaration**"); and

WHEREAS, Section 10.4 of the Original Declaration provides:

"10.4 EXTENSION TO INCLUDE ADDITIONAL PROPERTY

The Authority may at any time make subject to these Protective Covenants other properties now or hereafter owned by the Authority by executing an instrument in writing applying these Covenants to such other properties and by properly recording the same. Upon such recordation (1) these Covenants shall run

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with the Property already subject thereto and with such additional property as if such Covenants had always applied to all of said land from the date of inception of these Covenants; and (2) whenever thereafter in construing this Declaration reference is made to 'the Property'[,], said term shall mean and include not only the Property described in Exhibit 'A' [*in the Original Declaration*], but also such additional properties as may be[,], but need not be[,], contiguous to other properties owned by the Authority and made subject to these Covenants..."; and

WHEREAS, the Authority, in further development of its Cane Creek Centre project, desires to execute this Supplement to make subject to the Declaration, certain of the Authority's properties (as more particularly described below) that were acquired after the recordation of the Original Declaration; and

WHEREAS, all restrictions and covenants in the Declaration are to be reaffirmed and to remain in full force and effect.

NOW, THEREFORE, THE DECLARATION IS HEREBY SUPPLEMENTED AS FOLLOWS:

1. Pursuant to Section 10.4 ("**Extension to Include Additional Property**") of the Declaration, the Authority hereby makes subject to the Declaration and protective covenants therein, all of those certain lots, tracts, or parcels of land, with improvements thereon and appurtenances thereunto belonging, situate in the County of Pittsylvania, Virginia, and more particularly described as follows:

PARCEL NO. 1 - LOTS 30, 31 and 32 (Parker): Lots Nos. 30, 31 & 32 on the W. L. Sellers' subdivision and map, made by E. B. Fitzgerald, September 19, 1946, recorded in the County Clerk's Office in Deed Book 276, at page 472; **AND BEING**, in fact, part of the same property conveyed to the Authority from Margaret H. Parker, widow, by deed dated November 25, 2013, and recorded in the County Clerk's Office as Instrument No. 13-07201 at page 97, to which map and deed specific reference is here made for a more particular description of such property.

PARCEL NO. 2 - LOTS 46, 47 and 48 (Parker): Lots Nos. 46, 47 & 48 on the W. L. Sellers' subdivision and map, made by E. B. Fitzgerald, September 19, 1946, recorded in the County Clerk's Office in Deed Book 276, at page 472; **AND BEING**, in fact, part of the same property conveyed to the Authority from Margaret H. Parker, widow, by deed dated November 25, 2013, and recorded in the County Clerk's Office as Instrument No. 13-07201 at page 97,

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to which map and deed specific reference is here made for a more particular description of such property.

PARCEL NO. 3 - LOTS NOS. 15, 16 and 17 (Walters): Part of what is known as the W.L. Sellers Lots which has been subdivided into tract or lots and designated on the plot of said subdivision, which is recorded in the County Clerk's Office in Deed Book No. 276, page 472, as follows: The same being Lots Nos. 15, 16 and 17, and for more full and accurate description of said land, reference is hereby made to said plat of survey made by E.B. Fitzgerald, dated the 19th of September 1946 and recorded as herein stated; **AND BEING**, in fact, all the same property conveyed to the Authority from L.C. Walters and Shara J. Walters, his wife, by deed dated December 3, 2013, and recorded in the County Clerk's Office as Instrument No. 13-07320 at page 68, to which plot and deed specific reference is here made for a more particular description of such property.

2. Pursuant to Section 10.4 ("**Extension to Include Additional Property**") of the Declaration, the Authority hereby makes subject to the Declaration and protective covenants therein, all of those certain lots, tracts, or parcels of land, with improvements thereon and appurtenances thereunto belonging, situate in City of Danville, Virginia, and more particularly described as follows:

PARCEL NO. 4 (Lakeside Farm): LOT 1, CONTAINING 17.078 ACRES, fronting Halifax Road, as shown on Plat of Survey for: C. Bruce Williams, dated January 9, 2007, File No. V3003B, prepared by Robert H. Bengston, Land Surveyor, Dewberry & Davis, Inc. (the "**Plat**"), and recorded in the City Clerk's Office as Instrument No. 13-4296, at page 25; and

PARCEL NO. 5 (Lakeside Farm): 2.21' WIDE STRIP OF LAND, bounded between Property Line per Instrument No. 05-4915 and Property Line per Deed Book 648, Page 126, as more particularly shown between Lot B-1A and Lot 1 on the Plat;

Parcel Nos. 4 and 5 above are, in fact, all of the same property conveyed to the Authority from Lakeside Farm, Inc., a Virginia corporation, by deed dated October 31, 2013, and recorded in the City Clerk's Office as No. 13-4296, at page 23, to which plat and deed specific reference is here made for a more particular description of such property.

3. All restrictions and covenants in the Declaration are reaffirmed and shall remain in full force and effect, and such restrictions and covenants are to run with the land and shall be binding on all parties and persons claiming under them.

IN TESTIMONY WHEREOF, witness the signature to this **SUPPLEMENT TO DECLARATION OF PROTECTIVE COVENANTS** as of the date first above written:

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

By: _____
Coy E. Harville, Chairman

COMMONWEALTH OF VIRGINIA, AT LARGE
CITY OF DANVILLE, to-wit:

The foregoing instrument was acknowledged before me by **COY E. HARVILLE** in his capacity as Chairman of **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia, this _____ day of January 2014.

My commission expires: _____.

Notary Public
Registration No. _____

Resolution No. 2014-01-13-5B

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

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

WHEREAS, Mountain View Farms of Virginia, L.C., a Virginia limited liability company ("**Mountain View**"), entered into that certain Lease Agreement with the Authority, dated as of January 15, 2012, as extended by that certain Lease Renewal Agreement dated as of January 1, 2013 (the "**Current Lease**"), to lease certain real property (GPIN 1356-75-8216) of the Authority, containing approximately thirty (30) acres and fronting on Stateline Bridge Road, in Pittsylvania County, Virginia (the "**Property**"), for the extended period beginning on January 1, 2013 and ending on December 31, 2013, for planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, and any other purposes approved by the Authority, for a total rental fee of Three Thousand and 00/100 Dollars (\$3,000.00); and

WHEREAS, Mountain View desires to renew the Current Lease, which otherwise expired December 31, 2013, for an additional one (1) year term; and

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that

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

Resolution No. 2014-01-13-5B

Chairman (or Vice Chairman as the case may be) to conclusively establish his approval of any amendments, deletions or additions thereto.

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

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

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 13, 2014, 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 _____ day of January 2014.

Susan M. DeMasi, Secretary
Danville-Pittsylvania Regional Industrial Facility
Authority

(SEAL)

Resolution No. 2014-01-13-5B

Exhibit A
LEASE RENEWAL AGREEMENT

THIS LEASE RENEWAL AGREEMENT (this “**Lease Renewal**”) is made as of the 1st day of January 2014, by and between **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia (“**Landlord**”); and **MOUNTAIN VIEW FARMS OF VIRGINIA, L.C.**, a Virginia limited liability company (“**Tenant**”).

WITNESSETH :

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

Section 1 – Recitals. The parties recite the following: Landlord and Tenant entered into that certain Lease Agreement dated as of January 15, 2012 (the “**Lease**”), as extended by that certain Lease Renewal Agreement dated as of January 1, 2013, for lease of the Property, for the extended period beginning January 1, 2013 and ending on December 31, 2013 (the “**1st Extended Term**”). Landlord and Tenant desire to enter into this Lease Renewal to further extend the term of the Lease and to amend the Base Rent.

Section 2 – Renewal Term. Following the end of the 1st Extended Term, the term of the Lease shall continue for a term beginning on January 1, 2014 and ending on December 31, 2014 (the “**Renewal Term**”), unless sooner terminated as provided in the Lease.

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

Section 4 - Entire Agreement. The Lease and this Lease Renewal contain the entire agreement and understanding of the parties with respect to the transactions contemplated hereby; and the Lease and this Lease Renewal supersede all prior understandings and agreements of the parties with respect to the subject matter hereof.

Section 5 - Interpretation. All of the terms, covenants and conditions of the Lease shall continue in full force and effect, and the same are hereby reaffirmed, remade and rewritten, except to the extent that any such terms, covenants or conditions have been nullified hereby or conflict or are inconsistent with the terms of this Lease Renewal, in which event the terms of this Lease Renewal shall, in all respects, govern and prevail.

Section 6 - Defined Terms. The capitalized terms of this Lease Renewal that are not defined herein shall be defined as set forth in the Lease.

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

Landlord:

Tenant:

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

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

EXHIBIT ONLY – DO NOT SIGN

EXHIBIT ONLY – DO NOT SIGN

By: _____
Coy E. Harville, Chairman

By: _____
Title: _____

A RESOLUTION APPROVING THAT CERTAIN DEED TO INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, A POLITICAL SUBDIVISION OF THE COMMONWEALTH OF VIRGINIA (THE "IDA"), PURSUANT TO THAT CERTAIN CANE CREEK LOT 8 COOPERATION AGREEMENT DATED NOVEMBER 14, 2013, WITH THE IDA, AS APPROVED UNDER RESOLUTION NO. 2013-11-14-6D

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, under Resolution No. 2013-11-14-6D, executed that certain Cane Creek Lot 8 Cooperation Agreement dated November 14, 2013 (the “**Cooperation Agreement**”), with the IDA, pertaining to Lot 8 (GPIN 2347-26-0382) in the Authority’s Cane Creek Centre project, in Pittsylvania County, Virginia; and

WHEREAS, Section 4(a) ("Conveyance of Lot 8") of the Cooperation Agreement provides:

"a. Generally. After the Definitive Agreement [*as defined in the Cooperation Agreement*] has been executed by Recruit [*as defined in the Cooperation Agreement*], RIFA [*i.e., the Authority*], upon request from the IDA, shall sell, transfer and convey Lot 8 at a purchase price of Ten and 00/100 Dollars (\$10.00), free and clear of any monetary liens. All closing costs and prorations shall be paid by RIFA as grantor and the IDA as grantee as is customary in the Commonwealth of Virginia. The deed conveying Lot 8 from RIFA to the IDA shall be with general warranty, in the form reasonably acceptable to legal counsel to RIFA and the IDA, and insurable by a title insurance company selected by the IDA..."; and

WHEREAS, the Authority has determined that in order to best facilitate the negotiations of the Definitive Agreement, its Chairman and Vice Chairman, either of whom may act independent of the other, should have the authority and discretion to convey Lot 8 prior to the execution of the Definitive Agreement by Recruit; and

WHEREAS, the form of the general warranty deed conveying Lot 8 to the IDA (the “**Deed**”) is shown on **Exhibit A**, attached hereto and incorporated herein by this reference; and

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 Cane Creek Centre project for the Authority to execute and deliver the Deed to the IDA at such a time as the Chairman or Vice Chairman (as the case may be), in his sole discretion, determines to be reasonable and appropriate.

Resolution No. 2014-01-13-5C

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby approves the Deed 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 Deed on behalf of the Authority, at such a time as he determines to be reasonable and appropriate, such execution of the Deed 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 Deed and the Cooperation 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 Deed and the Cooperation Agreement and the matters contemplated therein.

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 13, 2014, 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 ____ day of January 2014.

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

(SEAL)

Exhibit A
(The Deed)

**THIS DEED WAS PREPARED WITHOUT EXAMINATION OF TITLE AND
THE PREPARER HAS NO KNOWLEDGE OF ANY TITLE INSURANCE.**

**THIS CONVEYANCE IS EXEMPT FROM RECORDATION TAXES REQUIRED UNDER
SECTIONS 58.1-801 AND 58.1-802 OF THE CODE OF VIRGINIA, 1950, AS AMENDED (THE "CODE"),
PURSUANT TO SECTIONS 58.1-811 (A)(3) and 58.1-811(C)(4) OF THE CODE.**

**THIS INSTRUMENT WAS PREPARED BY AND
AFTER RECORDING SHOULD BE RETURNED TO:**

Michael C. Guanzon, Esq., VSB No. 38135
Clement & Wheatley, A Professional Corporation
549 Main Street (24541), P.O. Box 8200
Danville, VA 24543-8200

GPIN: 2347-26-0382
TAX ASSESSMENT: \$314,700.00
CONSIDERATION: \$10.00

GRANTEE ADDRESS:
P.O. Box 3300
Danville, VA 24543

THIS DEED OF BARGAIN AND SALE made as of the ____ day of _____ 2014, by and between and **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia ("**Grantor**"); and **INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia ("**Grantee**");

WITNESSETH:

THAT for and in consideration of the sum of **TEN DOLLARS** (\$10.00) cash in hand paid and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor does hereby grant, bargain, sell, and convey, with General Warranty and English Covenants of Title, unto Grantee, all of that certain lot, tract, or parcel of land, together with improvements thereon and appurtenances thereunto belonging, situate in the County of Pittsylvania, Virginia, and more particularly described as follows:

LOT 8, CONTAINING 69.94 ACRES, fronting on Cane Creek Parkway, as shown on Sheet ____ of 7, of that certain Subdivision Plat Showing: Cane Creek Centre, prepared by Dewberry & Davis, Inc., File V3013B, dated November 25, 2010, recorded in the Clerk's Office of the Circuit Court of Pittsylvania County, Virginia (the "**Clerk's Office**"), as Instrument No. 12-02372, in Map Book 44, at page 143A-G; **AND BEING**, in fact, a portion of the real property conveyed to Grantor by deed dated May 16, 2003, from Janice McCormick Randall and James Randall, recorded in the Clerk's Office in Deed Book 1373, at page 179, to which map and deed specific reference is here made for a more particular description of the property herein conveyed.

Resolution No. 2014-01-13-5C

This conveyance is made subject to all easements, conditions, restrictions and agreements of record affecting the real estate hereby conveyed or any part thereof.

WITNESS the following signature to this **DEED OF BARGAIN AND SALE**:

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

By: _____
Coy E. Harville, Chairman

**COMMONWEALTH OF VIRGINIA AT LARGE
CITY OF DANVILLE, to-wit:**

The foregoing instrument was acknowledged before me in my jurisdiction aforesaid on this _____ day of _____ 2014, by **COY E. HARVILLE**, in his capacity as Chairman of **DANVILLE PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia, as Grantor.

My Commission expires: _____

Notary Public
Registration No. _____

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	5-E
Meeting Date:	1/13/2014
Subject:	Financial Status Reports –December 31, 2013
From:	Barbara A. Dameron, Authority Treasurer

SUMMARY

A review of the financial status reports through December 31, 2013 will be provided at the meeting. The financial status reports as of December 31, 2013 are attached for the DPRIFA Board's review.

RECOMMENDATION

Staff recommends approving the financial status reports as of December 31, 2013 as presented.

ATTACHMENTS

Financial Status Reports

**Danville - Pittsylvania Regional Industrial Facility
Authority**

Financial Status

Table of Contents

- A. \$7.3 Million Bonds - Cane Creek Centre
- B. General Expenditures for FY 2014
- 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 ⁷

As of December 31, 2013

<u>Funding</u>	<u>Funding</u>	<u>Budget / Contract</u> <u>Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended /</u> <u>Unencumbered</u>
Funds from bond issuance	\$ 7,300,000.00				
Issuance cost	(155,401.33)				
Refunding cost ⁷	(52,500.00)				
Bank fees	(98.25)				
Interest earned to date	486,581.70				
Cane Creek Parkway ³		\$ 3,804,576.00	\$ 3,724,241.16	\$ -	
Swedwood Drive ²		69,414.00	69,414.00	-	
Cane Creek Centre entrance ³		72,335.00	53,878.70	-	
Financial Advisory Services		9,900.00	9,900.00	-	
Dewberry contracts ¹		69,582.50	69,582.50	-	
Dewberry contracts not paid by 1.7 grant ^{4,5}		71,881.00	18,786.62	53,094.38	
Land		-	2,744,858.72	-	
Demolition services		71,261.62	71,261.62	-	
Legal fees		-	55,344.30	-	
CCC - Lots 3 & 9 project - RIFA Local Share ⁶		142,190.00	112,464.98	-	
Other expenditures		-	31,839.70	-	
Total	\$ 7,578,582.12	\$ 4,311,140.12	\$ 6,961,572.30	\$ 53,094.38	\$ 563,915.44

notes:

¹ Dewberry Contracts consist of wetland, engineering, surveying and site preparation

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

³ Project completed under budget

⁴ 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.

⁴ 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.

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

⁶ 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.

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

Road Summary-Cane Creek Parkway:	
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
Total Road Contract Allocated to RIFA	\$ 5,271,916.00

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

Danville-Pittsylvania Regional Industrial Facility Authority

General Expenditures for Fiscal Year 2014

As of December 31, 2013

	<u>Funding</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
Funding					
City Contribution	\$ 75,000.00				
County Contribution	75,000.00				
Carryforward from FY2013	66,686.06				
Contingency					
Miscellaneous contingency items		\$ 83,586.06	\$ 382.78	\$ -	\$ 83,203.28
Total Contingency Budget		<u>83,586.06</u>	<u>382.78</u>	<u>-</u>	<u>83,203.28</u>
Legal		100,000.00	16,845.04	-	83,154.96
Accounting		18,900.00	18,500.00	-	400.00
Annual Bank Fees		4,600.00	-	-	4,600.00
Postage & Shipping		100.00	-	-	100.00
Meals		3,000.00	2,604.83	-	395.17
Utilities		500.00	127.34	-	372.66
Insurance		6,000.00	-	-	6,000.00
Total	<u>\$ 216,686.06</u>	<u>\$ 216,686.06</u>	<u>\$ 38,459.99</u>	<u>\$ -</u>	<u><u>\$ 178,226.07</u></u>

Danville-Pittsylvania Regional Industrial Facility Authority

Mega Park - Funding Other than Bond Funds

As of December 31, 2013

<u>Funding</u>	<u>Funding</u>	<u>Budget / Contract</u> <u>Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended /</u> <u>Unencumbered</u>
Funding					
City contribution	\$ 134,482.50				
County contribution	134,482.50				
City advance for Klutz, Canter, & Shoffner property ^{1,4}	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 ⁵	76,067.61				
Additional funds allocated by RIFA Board on 1/14/2013 ⁶	11,854.39				
Land					
Klutz property		\$ 8,394,553.50	\$ 8,394,553.50	\$ -	
Canter property ²		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	-	
Other					
Dewberry & Davis		29,465.00	28,965.00	500.00	
Dewberry & Davis ³		990,850.00	972,754.29	18,095.71	
Consulting Services - McCallum Sweeney ⁷		115,000.00	103,796.85	-	
Total		\$ 14,231,524.83	\$ 14,202,225.97	\$ 18,595.71	\$ 10,703.15

¹ 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.

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

³ 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.

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

⁵ 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.

⁶ 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.

⁷ Unencumbered the remaining \$11,203.15 due to termination of contract.

Danville-Pittsylvania Regional Industrial Facility Authority
Berry Hill Mega Park - Lot 4 Site Development
As of December 31, 2013

	<u>Funding</u>	<u>Budget / Contract</u> <u>Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended /</u> <u>Unencumbered</u>
Funding					
Tobacco Commission FY12 Megasite Allocation	\$ 6,208,153.00				
Local Match for TIC FY12 Megasite Allocation - County Portion ¹	750,000.00				
Local Match for TIC FY12 Megasite Allocation - City Portion ¹	750,000.00				
Local Match for TIC FY12 Megasite Allocation - RIFA Portion ²	181,000.00				
Expenditures					
VA Water Protection Permit Fee		57,840.00	57,840.00	-	
Wetlands Studies and Solutions, Inc.		150,000.00	24,124.56	125,875.44	
Total	\$ 7,889,153.00	\$ 207,840.00	\$ 81,964.56	\$ 125,875.44	\$ <u>7,681,313.00</u>

¹ These amounts have not been sent to RIFA yet as they are not needed at this time. Each locality has its local match budgeted.

² 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.

Danville-Pittsylvania Regional Industrial Facility Authority

Rent, Interest, and Other Income Realized

As of December 31, 2013

<i>Source of Funds</i>	<u>Funding Receipts</u>			<u>Expenditures</u> FY2014	<u>Unexpended /</u> <u>Unencumbered</u>
	<u>Carryforward</u> <u>from FY2013</u>	<u>December</u> <u>2013</u>	<u>Receipts</u> <u>FY2014</u>		
<u>Carryforward</u>	\$ 419,258.30				
<u>Current Lessees</u>					
	<u>Park</u>	<u>Property</u>			
Institute for Advanced Learning and Research (IALR) ¹	Cyberpark	Hawkins Research Bldg. at 230 Slayton Ave.	\$ 9,382.86	\$ 45,095.58	
Institute for Advanced Learning and Research (IALR)	Cyberpark	IALR Building at 150 Slayton Ave.	-	-	
Securitas	Cyberpark	Gilbert Building at 1260 South Boston Rd.	300.00	1,800.00	
Guilford Whitetail Management	Berry Hill	Klutz Farm off State Rd. 863	-	-	
Mountain View Farms of Virginia, L.C.	Berry Hill	30 acre tract on Stateline Bridge Rd.	-	-	
Osborne Company of North Carolina, Inc.	Berry Hill	4380 Berry Hill Road Pastureland	-	-	
Clodfelter Hunting Lease	Berry Hill	371.13 acres off State Road 863	-	2,000.00	
<i>Total Rent</i>			\$ 9,682.86	\$ 48,895.58	
<u>Interest Received</u> ²			\$ 140.64	\$ 646.49	
<u>Expenditures</u>					
Hawkins Research Bldg. Property Mgmt. Fee				\$ 39,617.23	
Totals			<u>\$ 419,258.30</u>	<u>\$ 9,823.50</u>	<u>\$ 49,542.07</u>
				<u>\$ 39,617.23</u>	<u>\$ 429,183.14</u>

Restricted ¹ \$ 366,773.92
Unrestricted \$ 62,409.22

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

² 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 ^{1,2}
December 31, 2013*

	Unaudited FY 2014
Assets	
<i>Current assets</i>	
Cash - checking	\$ 301,545
Cash - money market	1,140,888
<i>Total current assets</i>	1,442,433
<i>Noncurrent assets</i>	
Restricted cash - project fund CCC bonds	633,419
Restricted cash - debt service fund CCC bonds	1,467,334
Restricted cash - debt service fund Berry Hill bonds	203
Restricted cash - debt service reserve fund Berry Hill bonds	2,000,000
Capital assets not being depreciated	24,839,271
Capital assets being depreciated, net	26,838,571
Construction in progress	2,650,156
Unamortized bond issuance costs	348,683
<i>Total noncurrent assets</i>	58,777,637
Total assets	60,220,070
Liabilities	
<i>Current liabilities</i>	
Bonds payable - current portion	1,065,000
<i>Total current liabilities</i>	1,065,000
<i>Noncurrent liabilities</i>	
Bonds payable - less current portion	9,525,000
<i>Total noncurrent liabilities</i>	9,525,000
Total liabilities	10,590,000
Net Position	
Invested in capital assets - net of related debt	48,187,637
Unrestricted	1,442,433
Total net position	\$ 49,630,070

¹ 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.

² 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, 2013 as of December 27, 2013, 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, 2013**

	Unaudited FY 2014
Operating revenues	
Virginia Tobacco Commission Grants	-
Rental income	54,446
Total operating revenues	54,446
Operating expenses ⁴	
Mega Park expenses ³	39,165
Cane Creek Centre expenses ³	260,618
Cyber Park expenses ³	40,552
Professional fees	27,297
Insurance	2,241
Other operating expenses	2,746
Total operating expenses	372,619
Operating loss	(318,173)
Non-operating revenues (expenses)	
Interest income	718
Interest expense	(73,714)
Total non-operating expenses, net	(72,996)
Net loss before capital contributions	(391,169)
Capital contributions	
Contribution - City of Danville	763,451
Contribution - Pittsylvania County	763,451
Total capital contributions	1,526,902
Change in net position	1,135,733
Net position at July 1,	48,494,337
Net position at December 31,	\$ 49,630,070

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

⁴ 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, 2013**

	Unaudited FY 2014
Operating activities	
Receipts from grant reimbursement requests	\$ -
Receipts from leases	48,596
Payments to suppliers for goods and services	(392,699)
Net cash used by operating activities	(344,103)
Capital and related financing activities	
Capital contributions	1,526,902
Interest paid on bonds	(151,117)
Proceeds from bond issuance	5,595,000
Principal repayments on bonds	(6,325,000)
Net cash provided by capital and related financing activities	645,785
Investing activities	
Interest received	718
Net cash provided by investing activities	718
Net increase in cash and cash equivalents	302,400
Cash and cash equivalents - beginning of year (including restricted cash)	5,240,989
Cash and cash equivalents - through December 31, 2013 (including restricted cash)	\$ 5,543,389
Reconciliation of operating loss before capital contributions to net cash used by operating activities:	
Operating loss	\$ (318,173)
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	6,264
Change in due from other governments	-
Change in other receivables	3,002
Change in accounts payable	(29,346)
Change in unearned income	(5,850)
Change in security deposit	-
Net cash used by operating activities	\$ (344,103)

Components of cash and cash equivalents at December 31, 2013:	
American National - Checking	\$ 301,545
American National - General money market	1,140,888
Wachovia - \$7.3M Bonds CCC Debt service fund	1,467,334
Wachovia - \$7.3M Bonds CCC Project fund	633,419
US Bank - \$11.25M Bonds Berry Hill Debt service fund	203
US Bank - \$11.25M Bonds Berry Hill Debt service reserve fund	2,000,000
	\$ 5,543,389

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	5-F
Meeting Date:	01/13/2014
Subject:	FY2013 Audited Financial Report and Audit Letters
From:	Barbara A. Dameron, Authority Treasurer

SUMMARY

Included in the agenda packet is the audited *Financial Report* for fiscal year ending June 30, 2013, 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 2013 from Brown, Edwards & Company, LLP, the independent auditors for RIFA. The auditors will attend the meeting on January 13, 2014 to discuss the audit and answer any questions regarding the audit.

The letter titled *Required Communication with Those Charged with Governance* lists one audit adjustment. This adjustment was made to record additional amortization of items related to the Series 2011 Berry Hill bonds. Additional amortization was needed due to the unusual circumstance that 49% of the outstanding principal was paid at one time in September 2012. Staff clearly understands the nature of these transactions and adjustments of this nature should not be likely in future years.

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

1. Audited Financial Report for fiscal year ending June 30, 2013
2. Audit Letter - *Comments on Internal Control and Other Suggestions for Your Consideration*
3. Audit Letter - *Required Communication with Those Charged with Governance*

**DANVILLE-PITTSYLVANIA REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

FINANCIAL REPORT

June 30, 2013

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

We have audited the accompanying basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, as listed in the table of contents. The prior year comparative information has been derived from the Authority's 2012 financial statements on which, in our report dated November 20, 2012, we expressed an unmodified opinion.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Danville-Pittsylvania Regional Industrial Facility Authority, as of June 30, 2013, and the changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013 on our consideration of the Board'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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2013

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position
June 30, 2013

	2013	(For Comparative Purposes Only) 2012
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,396,911	\$ 1,250,631
Due from other governments	-	158,281
Other receivables	3,002	17,886
Prepays	6,264	9,579
<i>Total current assets</i>	<u>1,406,177</u>	<u>1,436,377</u>
<i>Noncurrent assets</i>		
Restricted cash and cash equivalents	3,844,078	3,873,969
Due from City of Danville	254,205	236,479
Capital assets not being depreciated	24,839,271	24,839,271
Capital assets being depreciated, net	26,838,571	27,794,063
Construction in progress	2,650,156	2,277,130
Unamortized bond issuance costs	339,123	608,186
<i>Total noncurrent assets</i>	<u>58,765,404</u>	<u>59,629,098</u>
Total assets	<u>60,171,581</u>	<u>61,065,475</u>
Liabilities		
<i>Current liabilities</i>		
Accrued interest payable	77,402	123,635
Accounts payable - general	29,347	46,802
Accounts payable - construction	-	38,050
Security deposit	-	1,500
Unearned revenue	5,850	9,106
Bonds payable - current	1,043,450	5,823,395
<i>Total current liabilities</i>	<u>1,156,049</u>	<u>6,042,488</u>
<i>Noncurrent liabilities</i>		
Due to Pittsylvania County	254,205	236,479
Bonds payable	10,266,990	11,301,885
<i>Total noncurrent liabilities</i>	<u>10,521,195</u>	<u>11,538,364</u>
Total liabilities	<u>11,677,244</u>	<u>17,580,852</u>
Net position		
Net investment in capital assets	47,200,758	42,267,338
Unrestricted	1,293,579	1,217,285
Total net position	<u>\$ 48,494,337</u>	<u>\$ 43,484,623</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues and Expenses and Changes in Fund Net Position
Year Ended June 30, 2013

	2013	(For Comparative Purposes Only) 2012
Operating revenues		
Virginia Tobacco Commission grants	\$ 5,708,878	\$ 316,932
Other grants	-	1,076,639
Other income	67,860	238,273
Total operating revenues	<u>5,776,738</u>	<u>1,631,844</u>
Operating expenses		
Depreciation and amortization	1,224,555	1,004,543
Economic development - Cyber Park	150,000	-
Economic development - Cane Creek Centre	2,780	140,253
Other operating expenses	241,658	222,091
Total operating expenses	<u>1,618,993</u>	<u>1,366,887</u>
Operating income	<u>4,157,745</u>	<u>264,957</u>
Non-operating revenues (expenses)		
Interest income	589	1,453
Interest expense	(11,754)	(31,458)
Total non-operating expenses	<u>(11,165)</u>	<u>(30,005)</u>
Net income before capital contributions	<u>4,146,580</u>	<u>234,952</u>
Capital contributions		
Contribution - City of Danville	431,567	1,526,429
Contribution - Pittsylvania County	431,567	1,526,429
Total capital contributions	<u>863,134</u>	<u>3,052,858</u>
Change in net position	5,009,714	3,287,810
Net position at July 1	<u>43,484,623</u>	<u>40,196,813</u>
Net position at June 30	<u>\$ 48,494,337</u>	<u>\$ 43,484,623</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2013

	2013	(For Comparative Purposes Only) 2012
Operating activities		
Receipts from operating grants and activities	\$ 5,877,287	\$ 1,506,251
Payments to suppliers for goods and services	(166,919)	(116,624)
Other payments	(156,375)	32,664
Net cash provided by operating activities	<u>5,553,993</u>	<u>1,422,291</u>
Capital and related financing activities		
Purchase of capital assets	(95,890)	(1,478,727)
Payments on advances from the City of Danville	-	(10,485,134)
Capital contributions	793,335	2,674,783
Interest paid on bonds	(310,638)	(104,325)
Proceeds from bond issuance	-	11,250,000
Bond issuance costs paid	-	(548,456)
Original issue discount on bonds issued	-	(21,325)
Principal repayments on bonds	(5,825,000)	(285,000)
Net cash provided by (used in) capital and related financing activities	<u>(5,438,193)</u>	<u>1,001,816</u>
Investing activities		
Interest received	589	1,453
Net cash provided by investing activities	<u>589</u>	<u>1,453</u>
Net increase in cash and cash equivalents	116,389	2,425,560
Cash and cash equivalents - beginning of year (including restricted cash)	<u>5,124,600</u>	<u>2,699,040</u>
Cash and cash equivalents - end of year (including restricted cash)	<u>\$ 5,240,989</u>	<u>\$ 5,124,600</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2013

	2013	(For Comparative Purposes Only) 2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,157,745	\$ 264,957
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	955,492	955,492
Amortization of bond issue costs	269,063	49,051
Non-cash operating in-kind expenses	17,424	16,482
Changes in assets and liabilities:		
Change in prepaids	3,315	535
Change in due from other governments	158,281	124,160
Change in other receivables	14,884	(14,386)
Change in accounts payable - general	(17,455)	23,094
Change in security deposit	(1,500)	500
Change in unearned revenue	(3,256)	2,406
Net cash provided by operating activities	<u>\$ 5,553,993</u>	<u>\$ 1,422,291</u>
Supplemental cash flow information		
Capitalized interest	\$ 262,812	\$ 203,201
Capital asset additions financed by accounts payable	-	38,050
Capital asset additions financed by locality contribution	52,375	387,693
	<u>\$ 315,187</u>	<u>\$ 628,944</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred, regardless of the timing of the related cash flow. The Authority follows all applicable Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements that do not conflict with the GASB pronouncements, as they apply to its proprietary activities.

The Authority distinguishes operating revenues and expenses from nonoperating 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. Nonoperating 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.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

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

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.

Due From Other Governments

Due from other governments generally consists of grant reimbursements receivable from the Virginia Tobacco Commission or other grant agencies. There were no amounts due from other governments at June 30, 2013.

Other Receivables

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

Prepays

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

Restricted Resources

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

Capital Assets

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

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

Unearned Revenue

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

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

2. Summary of Significant Accounting Policies (Continued)

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.

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.

Bond Issuance Costs

Bond issuance costs are amortized over the life of the bond using the straight-line method, which approximates the effective interest rate method.

Income Taxes

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 8, 2013, the date the financial statements were available to be issued.

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 amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

3. Deposits, Restricted Cash and Investments (Continued)

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, 2013, the Authority held no investments.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following at June 30, 2013:

Bond funds to be used for improvements to Cane Creek Centre	\$ 871,016
Restricted funds for Cane Creek Centre debt service	972,945
Restricted funds for Berry Hill Mega Park debt service	<u>2,000,117</u>
	<u>\$ 3,844,078</u>

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

Credit Risk - In accordance with State statutes, the Authority authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia’s State Non-Arbitrage Pool (SNAP). All cash of the Authority was held in money market or checking accounts at June 30, 2013.

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

4. Due To/From Member Localities

The Authority is equally funded by the City of Danville and Pittsylvania County. The two localities have signed agreements to share all costs of the Authority equally. At times, one locality may front all costs associated with a transaction, creating an amount owed by the other. The Authority reflects these balances as all transactions associated with the Authority are recorded on the Authority’s books. At June 30, 2013, the Authority reflects amounts due to Pittsylvania County of \$254,205 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 2014, but rather that the balance will be adjusted annually based on contributions made by both localities.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

5. Capital Assets

Capital asset activity was as follows:

	June 30, 2012 Balance	Increases	Decreases	June 30, 2013 Balance
<i>Capital assets, not being depreciated:</i>				
Cyber Park – Land	\$ 5,904,783	\$ -	\$ -	\$ 5,904,783
Cane Creek Centre – Land	5,871,948	-	-	5,871,948
Mega Park – Land	13,062,540	-	-	13,062,540
<i>Total capital assets not being depreciated</i>	<u>24,839,271</u>	<u>-</u>	<u>-</u>	<u>24,839,271</u>
<i>Capital assets, being depreciated:</i>				
Buildings	25,617,874	-	-	25,617,874
Building Improvements	267,000	-	-	267,000
Land Improvements	5,970,458	-	-	5,970,458
Infrastructure	2,006,965	-	-	2,006,965
<i>Total capital assets being depreciated</i>	<u>33,862,297</u>	<u>-</u>	<u>-</u>	<u>33,862,297</u>
<i>Less accumulated depreciation for:</i>				
Buildings	5,271,069	756,544	-	6,027,613
Building Improvements	42,156	7,026	-	49,182
Land Improvements	554,314	151,783	-	706,097
Infrastructure	200,695	40,139	-	240,834
<i>Total accumulated depreciation</i>	<u>6,068,234</u>	<u>955,492</u>	<u>-</u>	<u>7,023,726</u>
<i>Total capital assets being depreciated, net</i>	<u>27,794,063</u>	<u>(955,492)</u>	<u>-</u>	<u>26,838,571</u>
<i>Total capital assets, net</i>	<u>\$ 52,633,334</u>	<u>\$ (955,492)</u>	<u>\$ -</u>	<u>\$ 51,677,842</u>

6. Construction in Progress

Construction in progress consisted of the following at June 30:

	June 30, 2012 Balance	Increases	Decreases	June 30, 2013 Balance
Mega Park*	\$ 2,277,130	\$ 373,026	\$ -	\$ 2,650,156
	<u>\$ 2,277,130</u>	<u>\$ 373,026</u>	<u>\$ -</u>	<u>\$ 2,650,156</u>

* Current year additions include capitalized interest of \$262,812. The construction in progress total for this project includes an accumulated total of \$526,864 capitalized interest at June 30, 2013.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

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 June 30, 2013</u>
2005 Revenue bonds	\$ 7,300,000	\$ 100,000 – 565,000	Variable	1/1/2026	\$ 5,595,000
2011 Revenue bonds	11,250,000	\$ 730,000 – 5,525,000	2.50 – 4.75%	9/1/2019	5,725,000
	<u>\$ 18,550,000</u>				<u>\$ 11,320,000</u>

In August 2005, the Authority issued \$7,300,000 in revenue bonds. The bonds bear interest at a variable rate, which averaged 0.20% in fiscal year 2013. The variable rate is set by remarketing agents to reflect the current yields of similar bonds in the marketplace. Future interest payments for this bond issuance disclosed on the following page are calculated using the average rate for the current year. Debt service payments are made with funds received from the City of Danville and Pittsylvania County. The letter of credit fee remained unchanged during fiscal year 2013 at 0.78% per annum of the stated amount of the letter of credit, computed on the basis of a 360-day year and payable quarterly in advance. The Authority chose not to extend the letter of credit agreement that supports the 2005 revenue bonds, which expired on August 1, 2013. As disclosed in Note 11, the Authority issued \$5,595,000 in revenue refunding bonds on August 1, 2013 to satisfy the outstanding balance of the 2005 revenue bonds.

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 were and will be made with funds received from the City of Danville and Pittsylvania County.

Long-term debt activity for the year ended June 30, 2013 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 17,145,000	\$ -	\$ 5,825,000	\$ 11,320,000	\$ 1,045,000
Original issue discount	(19,720)	-	(10,160)	(9,560)	(1,550)
	<u>\$ 17,125,280</u>	<u>\$ -</u>	<u>\$ 5,814,840</u>	<u>\$ 11,310,440</u>	<u>\$ 1,043,450</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

7. Long-Term Debt (Continued)

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

Debt Maturity Schedule

Year Ending June 30	Principal	Estimated Interest*	Total
2014	\$ 1,045,000	\$ 229,871	\$ 1,274,871
2015	1,080,000	205,635	1,285,635
2016	1,130,000	178,181	1,308,181
2017	1,175,000	146,638	1,321,638
2018	1,230,000	110,717	1,340,717
2019 – 2023	4,040,000	115,819	4,155,819
2024 – 2028	1,620,000	6,580	1,626,580
	<u>\$ 11,320,000</u>	<u>\$ 993,441</u>	<u>\$ 12,313,441</u>

* Estimated interest is computed using rates in effect as of June 30, 2013.

8. Economic Development

In fiscal year 2013, the Authority awarded a grading grant in the amount of \$150,000 to a company in the Cyber Park pursuant to a performance grant agreement between the Authority and the company. The company agreed to create 25 additional jobs and will have to repay the Authority \$6,000 for each job not created by September 30, 2015.

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, 2014 is estimated to be \$11,450.

10. Long-Term Operating Leases

In October 2006, the Authority entered into agreements with Swedwood Danville, LLC that provide the Authority will lease 94 acres (valued at \$989,205) 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 \$6,025,459 at June 30, 2013 and accumulated depreciation of \$1,010,358, is leased to the Institute for Advanced Learning & Research (IALR) for \$10 per year per square foot occupied. The lease was renewed at the same rent terms on June 1, 2013 for a one-year period and will automatically renew annually thereafter for successive one year periods. The rent for the renewal is set forth in the lease agreement. Insurance and maintenance costs are the responsibility of the lessee. For fiscal year 2013, \$52,546 of rental income was received through this lease.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2013

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.

11. Commitments/Subsequent Events

At June 30, 2013, the Authority had approximately \$3 million in outstanding engineering and consulting contracts, of which approximately \$1.9 million had not been expended.

On August 1, 2013, the Authority issued \$5,595,000 in revenue refunding bonds. These bonds were issued to satisfy the outstanding balance of the Series 2005 revenue bonds.

In September 2013, the Authority entered into contracts to purchase several properties surrounding the Cane Creek Centre. The Authority closed on one of the properties on October 31, 2013, purchasing 17 acres for approximately \$172,000.

12. Dissolution of Authority

If dissolution of the Authority should occur, such dissolution shall be made pursuant to *Code of Virginia*, Section 15.2-6415. Pittsylvania County is in the process of constructing 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, 2013, 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 8, 2013.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2013

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

**SUMMARY OF COMPLIANCE MATTERS
Year Ended June 30, 2013**

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

**DANVILLE-PITTSYLVANIA REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

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

June 30, 2013

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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 basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") as of and for the year ended June 30, 2013, 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 any other applicable standards, such as *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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2013

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

PRIOR YEAR COMMENTS AND SUGGESTIONS

June 30, 2013

SEGREGATION OF DUTIES

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

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

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

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

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2013

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. 65

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. A few examples of such items include state aid that is received but can't be spent until the following year and payments of next year's property tax revenues received in advance. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. A few examples of such items are underwriter's fees associated with the issuance of long-term bonds, other debt issuance costs, and loan origination fees. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 65 is effective for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes should be applied retroactively by restating financial statements, if practical, for all periods presented.

GASB STATEMENT NO. 69

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

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

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

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

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2013

GASB STATEMENT NO. 70

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, addresses situations where a government extends financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

GASB Statement No. 70 is effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

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

OMB recently issued updated proposed guidance related to Circular A-133. The most significant proposed changes are as follows:

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2013

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

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

Proposed reduction of compliance requirements subject to testing. Compliance testing would be limited to the following areas:

- Activities allowed or not allowed and allowable costs/cost principles
- Cash management
- Eligibility
- Period of availability of federal funds
- Matching
- Reporting
- Subrecipient monitoring
- Special tests and provisions

This would result in the removal of the following compliance requirements:

- *Davis-Bacon Act*
- Equipment and real property management
- Level of effort and earmarking
- Procurement, suspension, and debarment
- Program income
- Real property acquisition and relocation assistance

CURRENT GASB PROJECTS

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

- ***Conceptual Framework – Recognition and Measurement Approaches.*** This project has two primary objectives. The objectives will be addressed in two subprojects. One 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. Another objective is to consider the measurement concepts, both the measurement approach or approaches (for example, initial amounts or remeasured amounts) that conceptually should be used in governmental financial statements and measurement attributes (the feature of the assets or liabilities that is measured). This project ultimately will lead to a Concepts Statement on measurement and a Concepts Statement on recognition of elements of financial statements. An exposure draft document on measurement approaches is expected to be issued for public comment in mid-2013 and an exposure draft on the recognition in early 2014.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2013

CURRENT GASB PROJECTS (Continued)

- ***Economic Condition Reporting: Financial Projections.*** The objective of this project is to consider whether guidance or guidelines should be provided for additional information about economic condition, particularly financial projections, as part of general purpose external financial reporting. This project also will include consideration of the information users identified as necessary to assess the risks associated with a government's intergovernmental financial dependencies. The project is currently being deliberated. This project is currently on hold pending resolution of GASB scope.
- ***Fair Value Measurement and Application.*** The objective of this project is to review and consider alternatives for the further development of the definition of *fair value*, the methods used to measure fair value, and potential disclosures about fair value measurements. Within this review, specific issues, including fair value measurement of alternative investments, such as private placements and hedge funds, real estate investment trusts, state land trusts, and partnership interests are to be addressed. An exposure draft document is expected to be issued for in May 2014.
- ***GAAP Hierarchy.*** This project would consider possible modifications to the GAAP hierarchy, as set forth in **GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments***. It would reexamine the hierarchy levels to assess whether the standards-setting process and the governmental financial reporting environment have sufficiently evolved since the establishment of the original hierarchy by the AICPA in 1992 to warrant reconsideration or reconfiguration of certain aspects of the structure. An exposure draft document is expected to be issued for public comment in February 2014.
- ***Lease Accounting – Reexamination of NCGA Statement 5 and GASB Statement No. 13.*** The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether current operating leases meet the definitions of assets or liabilities. This project would provide an opportunity for a fresh look at the existing guidance for any improvements not contemplated by the FASB/IASB project given the unique nature of governmental entities and the complexities of their leasing transactions. An exposure draft document is expected to be issued for public comment in December 2014.
- ***Other Postemployment Benefit Accounting and Financial Reporting.*** The Board will consider the possibility of improvements to the existing standards of accounting and financial reporting for other postemployment benefits (OPEB) – by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. One objective of this project is to improve *accountability* and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB. Another objective of this project is to improve the *usefulness* of information for decisions or judgments of the various users of the general-purpose external financial reports of governmental employers and OPEB plans. This project also will address accounting and financial reporting for postemployment benefits that are not provided through a qualified trust (as defined in paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*). An exposure draft document is expected to be issued for public comment in April 2014.

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 basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2013. 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 6, 2013. 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 selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. The Authority has adopted GASB Statement No. 63, which resulted in changes in the description of certain elements on the Statement of Net Position. No other new accounting policies were adopted, and the application of existing policies was not changed during 2013. 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. 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.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

- 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 various commitments and information regarding any significant activity that occurred after year end in Notes 10 and 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 trivial, and communicate them to the appropriate level of management.

We proposed and management has posted the following adjustment (all amounts are rounded to the nearest thousand).

Posted adjustment:

- A \$191,000 increase to amortization expense, a \$7,000 increase in capitalized interest, a \$191,000 decrease in unamortized bond issuance costs, and a \$7,000 decrease in the original issue discount on outstanding bonds.

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 8, 2013, a copy of which is attached.

Significant Audit Findings (Continued)

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 8, 2013

Danville-Pittsylvania Regional Industrial Facility Authority

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

November 8, 2013

Brown, Edwards & Company, L.L.P.
2215 Langhorne Road, Suite 102
Post Office Box 10189
Lynchburg, Virginia 24506-0189

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 financial position of the Authority as of June 30, 2013, and the 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 8, 2013, 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 6, 2013, including our responsibility for the preparation and fair presentation of the financial statements 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 the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and responses.

- 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 Authority is contingently liable, have been properly recorded or disclosed.

Information Provided

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

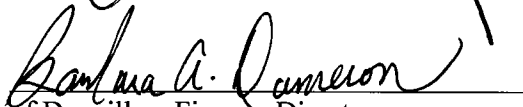
Government—Specific


- 18) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us, if applicable.
- 21) We have a process to track the status of audit findings and recommendations, if applicable.
- 22) 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.

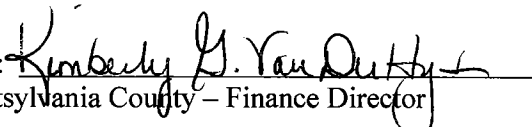
Government—Specific (Continued)

- 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 we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 25) 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.
- 26) 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.
- 27) 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.
- 28) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 30) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 31) Provisions for uncollectible receivables have been properly identified and recorded.
- 32) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 33) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 34) We have not completed the process of evaluating the impact that will result from adopting new Government Accounting Standards Board Statements (GASBS) that are not yet effective. The Board is therefore unable to disclose the impact that adopting these standards will have on its financial positions and the results of its operations when the statements are adopted.
- 35) We have appropriately disclosed the Authority'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.
- 36) 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, 2013. We are in agreement with the changes in the due to/from account based on the contributions by each locality in FY 2013.
- 37) We do not believe that the Authority's real estate has declined materially in value below the cost recorded on the Authority's books.
- 38) We reaffirm the representations made to you in our letter dated November 20, 2012 regarding your audit for the fiscal year ended June 30, 2012.

Signature: 
Title: City of Danville – City Manager

Signature: 
Title: City of Danville – Finance Director

Signature: 
Title: Pittsylvania County – Interim County Administrator

Signature: 
Title: Pittsylvania County – Finance Director