Danville-Pittsylvania Regional Industrial Facility Authority

City of Danville, Virginia
County of Pittsylvania, Virginia

AGENDA

December 11, 2017

12:00 P.M.

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

<u>County of Pittsylvania Members</u>

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

<u>City of Danville Members</u>

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

<u>Staff</u>

Ken Larking, City Manager, Danville
David M. Smitherman, Pittsylvania County Administrator
Clement Wheatley, Legal Counsel to Authority
Susan M. DeMasi, Authority Secretary
Michael L. Adkins, Authority Treasurer

Danville-Pittsylvania Regional Industrial Facility Authority

1. **MEETING CALLED TO ORDER**

2. **ROLL CALL**

3. **PUBLIC COMMENT PERIOD**

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

4. **APPROVAL OF MINUTES OF THE NOVEMBER 15, 2017 MEETING**

5. **NEW BUSINESS**

   A. Consideration of Resolution No. 2017-12-11-5A, approving a one-year renewal of the lease with Mountain View Farms, 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 Berry Hill 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; such renewal also includes a 60-day early termination right and right to show the Property to business recruits of the Authority – Gregory L. Sides, Assistant County Administrator for Planning and Development, Pittsylvania County

   B. Presentation of Audit of the Authority's financial statements for year ending June 30, 2017 – Brown Edwards & Company, L.L.P.

   C. Financial Status Reports as of November 30, 2017 – Michael L. Adkins, CPA, Treasurer of the Authority, and/or Henrietta Weaver, CPA, City of Danville, Virginia

   D. Consideration of Resolution No. 2017-12-11-5D in Recognition of Service of Jessie L. Barksdale to the Authority as a Chairman, Vice Chairman and Director – Sherman M. Saunders, Chairman of the Authority

6. **CLOSED SESSION**

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

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

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

C. As permitted by Virginia Code §§ 2.2-3711(A)(3) for discussion or consideration of the acquisition and/or the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority.

RETURN TO OPEN SESSION

D. Confirmation of Motion and Vote to Reconvene in Open Meeting

E. Motion to Certify Closed Meeting

7. COMMUNICATIONS FROM:

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

Staff

8. ADJOURN

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 4
Meeting Date:	12/11/2017
Subject:	Meeting Minutes
From:	Susan M. DeMasi, Authority Secretary

SUMMARY

Attached for the Board's review and approval are the Meeting Minutes from the Wednesday, November 15, 2017 meeting.

ATTACHMENTS

Meeting Minutes – 11/15/2017

The Regular Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority convened at 12:13 p.m. on the above date in the Danville Regional Airport Conference Room, 424 Airport Drive, Danville, Virginia. Present were City of Danville Members Chairman Sherman M. Saunders, Fred O. Shanks, III and Alternate J. Lee Vogler. Pittsylvania County Members present were Vice Chairman Jessie L. Barksdale, Robert Warren and Alternate Elton W. Blackstock. (*Mr. Saunders entered the meeting at 12:20 p.m.)*

City/County staff members attending were: Pittsylvania County Administrator David Smitherman, Assistant County Administrator for Planning & Development Gregory Sides, City of Danville Assistant Director of Economic Development Corrie Teague Bobe, City of Danville Director of Public Works Ric Drazenovich, City of Danville Senior Accountant Henrietta Weaver, Pittsylvania County Director of Economic Development Matt Rowe, Project Manager Ashley Wolfe, Clement Wheatley Attorney Michael Guanzon and Secretary to the Authority Susan DeMasi. Also present were Brian Bradner and Shawn Harden from Dewberry & Davis.

Vice Chairman Barksdale presided.

PUBLIC COMMENT PERIOD

No one desired to be heard.

APPROVAL OF MINUTES FOR THE OCTOBER 10, 2017 MEETING

Upon **Motion** by Mr. Warren and **second** by Mr. Vogler, Minutes of the October 10, 2017 Meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

NEW BUSINESS

5A. CONSIDERATION – RESOLUTION 2017-11-15-5A – LEASING ADDITIONAL LAND IN THE CYBERPARK TO IALR

Mr. Marc Gignac, Executive Director of the Institute for Advanced Learning and Research noted the Institute would like to add a fourth building to their campus, that new facility would be called *The Center for Advanced Manufacturing*. This facility would serve a number of different purposes, the main purpose is to be a quick launch space where a new company could rapidly set up an operation while they either build or pursue accommodations in the region for a long term basis. It is an $18M project for the building alone, the whole project is $25M, and will be equipped with some of the latest equipment. Mr. Gignac noted they will be meeting with the Governor and House and Senate Chairs, to propose this idea for funding. The facility will include three spaces dedicated to the quick launch space, a Solution Center that will include Industry 4.0 and a fifth bay, which will be an Optimization Center. Another key feature of the building will be an ISO approved lab.

Mr. Troy Simpson, from Danville Community College, noted with clients like Kyocera, who come in and eight months into hiring people, need that space to “plug and play.” IALR can ISO certify a lab in the quick launch space for new companies to use. It will give the region a strategic advantage to have a quick launch space for prospects to go into. Mr. Gignac explained they want to site this facility on the property behind the new Kyocera SGS plant; it is important that it stay in close proximity to the existing program in the Hawkins' Building.

Mr. Warren stated he thought it was a wonderful idea and appreciates what the program has done. Mr. Warren noted the Board has entered into some agreements with foreign companies that have problems with loans because they had no presence in the US, and RIFA had to support them. If they go in the quick launch, could that minimize or lessen RIFA's exposure, and Mr. Rowe noted that was correct. Mr. Vogler questioned if this would operate similar to the Business Development Center incubator, but for advanced manufacturing. Mr. Rowe noted they are not duplicating the functions of that space, the difference is it allows a more technological approach of having different forms and pieces of equipment in the space. Mr. Gignac noted the main distinction between this facility, they are not there to service someone with an idea, they are there to service existing industries, to draw them into the region.

Mr. Smitherman questioned if the business model considers a payment to RIFA for the property and Mr. Gignac noted it does not. Mr. Guanzon explained the property is governed by an Economic Development Administration grant. Under the terms of that grant, RIFA cannot give it to them and if it is leased to them, it has to be at fair market value. The Resolution is in general support of the concept because RIFA still has to work out what would be feasible legally. This Resolution can be taken to funding sources the Institute wishes to seek, to show that RIFA, who owns the land, is supportive of the general concept. The EDA grant dictates what RIFA can do. Mr. Shanks stated they have been able to overcome that problem with the Institute, the real estate, and Mr. Guanzon noted a ground lease is what RIFA would do. Under the terms, if this structure is to be built, RIFA is not paying for it but would have to lease the land. The lease would have to continue for at least the balance of the EDA grant, and still have to get approval from the EDA, which is fifteen years minimum. The issue staff is going to have to work with the EDA and the Institute to negotiate something for further discussion and presentation before the Board, as to what happens at the end of that term.

Mr. Warren **moved** for adoption of Resolution No. 2017-11-15-5A, *supporting the concept of leasing additional land located in the Authority's Cyber Park project to The Institute for Advanced Learning & Research (IALR), a political subdivision of the Commonwealth of Virginia, for the establishment of a Center for Manufacturing Advancement.*

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

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

5B. CONSIDERATION – RESOLUTION 2017-11-15-5B – APPROVING UPDATES AND ADDITIONS TO SIGNAGE AT CANE CREEK CENTRE ENTRANCE WAY

Ms. Teague-Bobe noted this request is for $3,020 in order to do maintenance work on the Cane Creek Centre gateway sign, as well as install the name plate for Unison on that sign.

Mr. Guanzon explained this is for the existing sign that had been previously approved for zoning.

Mr. Shanks **moved** for adoption of Resolution No. 2017-11-15-5B, *approving maintenance work, updates and the addition of Unison Tube, L.L.C. to the existing entrance way directory sign of the Authority's Cane Creek Centre project at a cost of $3,020 to be performed by Power Signs, Inc., a Virginia corporation.*

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

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

5C. CONSIDERATION – RESOLUTION 2017-11-15-5C – RATIFYING LETTER AGREEMENT WITH EPR

Mr. Guanzon explained since the time the agenda was created, it was brought to his attention that there are errors in the Resolution; it references a TIGER grant in support of a Resolution that was passed last month. That is an error, it is in support of a different grant application, but everything else provided is the same. Under the terms of the by-laws, because of time frames, it authorizes the RIFA staff, if the City Manager and the County Administrator are in agreement, if it can't wait until the next month or for development of a business prospect, they can expend up to $10,000. But they have to bring it back to the Board for ratification; that is the situation that was in place. Ms. Teague-Bobe noted in addition to the TIGER Grant, there was an additional grant opportunity through the US Department of Transportation, INFRA, Investing for Rebuilding America program. Staff is trying to find every possible means in order to extend the rail into the Berry Hill Mega Park. Staff was able to take the same parameters from the TIGER grant application and apply for this new grant funding. Since staff was not familiar with this grant process, they engaged a consultant, EPR out of Raleigh, to help the City with the application. Their proposal was they would not exceed $8,500 working on this project and their invoice came in less than that. Mr. Shanks questioned if this involved the track coming in off site and Ms. Bobe noted this will connect to the Norfolk & Southern mainline, onsite. Mr. Harden explained it is the main line that runs all the way through the park, it starts down at Berry Hill Road, and runs all the way back around.

Mr. Warren **moved** for adoption of Resolution 2017-11-15-5C, as submitted with the corrections, *ratifying that certain letter agreement dated October 18, 2017, with EPR, P.C., a Virginia professional corporation, for assistance, at a maximum cost of $8,500 with the Authority's submission of an INFRA grant, in accordance with paragraph 2 of Article IV of the Authority's Bylaws*.

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

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

5D. CONSIDERATION OF RESOLUTION 2017-11-15-5D – APPROVING THE EXPANDED ROLE OF A. KENT SHELTON

City of Danville Director of Public Works Ric Drazenovich explained staff is requesting to amend the existing contract agreement with Kent Shelton, to act as a project manager for the sanitary sewer and pump station project that is ready to be started. Staff feels it would be to RIFA's advantage to have an on-site person monitoring the contractor, making sure they follow all the City and environmental regulations. Mr. Guanzon reminded everyone, under this arrangement, the contract is between the City of Danville and Mr. Shelton. For the service being provided, it is going to be the City's contribution to RIFA and will go through the "Due to/Due From" contribution list.

Mr. Warren **moved** for adoption of Resolution No. 2017-11-15-5D, *approving the expanded role of A. Kent Shelton, P.E., as set forth in Resolution 2017-03-13-5C, to serve as the project monitor and limited inspector for the Phase 1 sewer infrastructure project at the Authority's Berry Hill Mega Park project, at an estimated cost of $39,520 (existing hourly rate of $38 for an estimated 1,040 hours of work)*.

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

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

5E. CONSIDERATION OF RESOLUTION 2017-11-15-5E – AUTHORIZING JOINT SUBMISSION OF AN APPLICATION TO THE TOBACCO COMMISSION

Mr. Sides noted this was a request to approve a Resolution that authorizes the submission of a Tobacco Commission application. This application is being submitted on behalf of RIFA, with Pittsylvania County and City of Danville participating. If the grant is approved, staff will be back with a grant agreement.

Mr. Saunders **moved** for adoption of Resolution No. 2017-11-15-5E, *authorizing the joint submission of an application by the Authority with the County of Pittsylvania, Virginia, and the City of Danville, Virginia, to the Virginia Tobacco Region Revitalization Commission for a grant to fund proposed site improvements to Lot 8 in the Authority's Berry Hill Industrial Mega Park project, in Pittsylvania County, Virginia, to create a buildable construction pad on such lot to accommodate Project Lignum and to prepare such lot for a rail spur, at an estimated cost of $5,759,600.00.*

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

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

5F. FINANCIAL STATUS REPORT AS OF OCTOBER 31, 2017

City of Danville Accountant Henrietta Weaver gave the Financial Status report as of October 31, 2017 starting with the Cane Creek Bonds with an expenditure to Clement & Wheatley for legal fees of $2,522. General Expenditures show $2,500 to AE COM for a Utility Application Fee; that was under Tobacco Commission Grant #2641 which is through the County, the County reimbursed the City for paying that. $2,014 was paid to LeClair Ryan for legal fees related to the Wilmot Project, $7,421 to Clement & Wheatley for legal fees, $7,500 to Brown, Edwards for audit fees, $261 for meals and $31 for Utilities. Mega Park Funding Other than Bond Funds showed no changes; Berry Hill Lot 4 Site Development shows $466,899 expended for Phase 1 Grading to Haymes Brothers. Rent, Interest and Other Income shows rent received of $21,400 from the Institute for the Hawkins' Building, $633 in interest received and RIFA paid the property management fee to the Hawkins' Building for $21,400.

Mr. Saunders **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:	Barksdale, Warren, Saunders and Shanks (4)
NAY:	None (0)

Mr. Shanks stepped out of the meeting.

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.]

At 12:55 p.m. Mr. Warren **moved** that the Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority be recessed in a Closed Meeting for the following purpose:

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

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

C. As permitted by Virginia Code §§ 2.2-3711(A)(3) for discussion or consideration of the acquisition and/or the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority.

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

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

D. On **Motion** by Mr. Warren and **second** by Mr. Shanks and by unanimous vote at 2:11 p.m., the Authority returned to open meeting.

E. Mr. Saunders **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. Warren and carried by the following vote:

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

7. COMMUNICATIONS

Board Members thanked the Economic Development team, all the staff for doing a great job and the Board's legal counsel. Mr. Rowe introduced the County's newest economic development member, Ashley Wolfe.

The Meeting adjourned at 2:16 p.m.

____
Chairman

____
Secretary to the Authority

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5A
Meeting Date:	12/11/2017
Subject:	Mountain View Farms Lease Renewal
From:	Greg Sides, Assistant County Administrator for Planning and Development, Pittsylvania County

SUMMARY

The Board will review a request for a one-year lease renewal with Mountain View Farms for property in the Authority's Mega Park.

ATTACHMENTS

Resolution 2017-12-11-5A

Resolution No. 2017-12-11-5A

A RESOLUTION APPROVING A ONE-YEAR RENEWAL OF THE LEASE WITH MOUNTAIN VIEW FARMS, 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 BERRY HILL 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; SUCH RENEWAL ALSO INCLUDES A 60-DAY EARLY TERMINATION RIGHT AND RIGHT TO SHOW THE PROPERTY TO BUSINESS RECRUITS OF THE AUTHORITY

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

WHEREAS, Mountain View Farms of Virginia, L.C., a Virginia limited liability company (**"Mountain View"**), entered into that certain Lease Agreement with the Authority, dated as of January 15, 2012, as last renewed by that certain 2017 Lease Renewal Agreement dated as of January 1, 2017 (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, 2017 and ending on December 31, 2017, for planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, and any other purposes approved by the Authority, for a total rental fee of One Thousand Two Hundred and 00/100 Dollars ($1,200.00); and

WHEREAS, Mountain View desires to renew the Current Lease, which shall otherwise expire on December 31, 2017, for an additional one (1) year term beginning on January 1, 2018 and ending on December 31, 2018; and consistent with similar leases by the Authority, the Authority shall have a 60-day early termination right and the right to show the Property to business recruits, the identities of whom Mountain View would keep confidential until a public announcement is made by the Authority; and

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

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

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

NOW, THEREFORE, BE IT RESOLVED, that

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

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

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

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on December 11, 2017, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

WITNESS my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this 11th day of December 2017.

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

(SEAL)

Resolution No. 2017-12-11-5A

Exhibit A

2018 LEASE RENEWAL AGREEMENT

THIS 2018 LEASE RENEWAL AGREEMENT (this **"Lease Renewal"**) is made as of the 1st day of January 2018, 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"**).

W I T N E S S E T H :

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 last extended by that certain 2017 Lease Renewal Agreement dated as of January 1, 2017, for lease of the Property, for the extended period beginning January 1, 2017 and ending on December 31, 2017 (the **"Current 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 Current Extended Term, the term of the Lease shall continue for a term beginning on January 1, 2018 and ending on December 31, 2018 (the **"Renewal Term"**), unless sooner terminated as provided in the Lease. Prior to the end of the Renewal Term set forth herein, Landlord shall have the right to terminate the Lease upon giving at least sixty (60) days prior written notice to Tenant, in which event Landlord shall reimburse Tenant for a pro rata portion of the Base Rent covering the period between the date of termination and December 31, 2018.

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

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

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

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

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

[SIGNATURES ON FOLLOWING PAGE.]

WITNESS the following signatures to this **2018 LEASE RENEWAL AGREEMENT**:

Landlord:

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

By: ______________________________________
______________________________, Chairman

Tenant:

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

By:______________________________________
Title:_____________________________________

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5-B
Meeting Date:	December 11, 2017
Subject:	FY2017 Audited Financial Report and Audit Letters
From:	Michael L. Adkins, Authority Treasurer

SUMMARY

Included in the agenda packet is the audited *Financial Report* for fiscal year ending June 30, 2017, 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 2017 from Brown, Edwards & Company, LLP, the independent auditors for RIFA. The auditors will attend the meeting on December 11, 2017 to discuss the audit and answer any questions regarding the audit.

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

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

RECOMMENDATION

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

ATTACHMENTS

Audited Financial Report for fiscal year ending June 30, 2017

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

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

FINANCIAL REPORT

June 30, 2017

Danville-Pittsylvania Regional Industrial Facility Authority

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, 2017, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2016 financial statements, on which, in our report dated November 17, 2016, we expressed an unmodified opinion. The 2016 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 16, 2017

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position
June 30, 2017

	2017	(For Comparative Purposes Only) 2016
Assets		
Current assets		
Cash and cash equivalents	$ 1,290,474	$ 2,115,547
Other receivables	1,376,619	-
Prepaids	230	2,370
Total current assets	2,667,323	2,117,917
Noncurrent assets		
Restricted cash and cash equivalents	2,443,001	3,179,668
Due from City of Danville	208,947	222,965
Capital assets not being depreciated	24,781,371	25,071,362
Capital assets being depreciated, net	23,796,253	24,561,601
Construction in progress	7,330,582	4,367,908
Total noncurrent assets	58,560,154	57,403,504
Total assets	61,227,477	59,521,421
Liabilities		
Current liabilities		
Accounts payable - general	120,221	129,299
Accounts payable - construction	776,764	-
Accrued interest payable	46,552	58,473
Retainage payable	104,519	-
Unearned revenue	304,642	3,275
Bonds payable - current	1,228,450	2,073,450
Total current liabilities	2,581,148	2,264,497
Noncurrent liabilities		
Due to Pittsylvania County	208,947	222,965
Bonds payable	4,758,190	5,986,640
Total noncurrent liabilities	4,967,137	6,209,605
Total liabilities	7,548,285	8,474,102
Net position		
Net investment in capital assets	50,124,197	46,196,617
Restricted - debt reserves	2,240,371	2,923,832
Unrestricted	1,314,624	1,926,870
Total net position	$ 53,679,192	$ 51,047,319

The accompanying notes are an integral part of this financial statement.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2017

	2017	(For Comparative Purposes Only) 2016
Operating revenues		
Virginia Tobacco Commission grants	$ 2,378,009	$ -
Other income	249,826	233,607
Reimbursement of incentive grant	114,599	76,834
Total operating revenues	2,742,434	310,441
Operating expenses		
Depreciation and amortization	809,045	808,129
Economic development - Cyber Park	295,491	-
Economic development - Cane Creek Centre	157	5,030
Economic development - Mega Park	11,741	20,860
Other operating expenses	437,026	403,058
Total operating expenses	1,553,460	1,237,077
Operating income (loss)	1,188,974	(926,636)
Non-operating revenues (expenses)		
Bond issuance costs	(45,521)	-
Interest income	15,354	5,540
Interest expense	(79,986)	(88,337)
Total non-operating expenses	(110,153)	(82,797)
Net income (loss) before capital contributions	1,078,821	(1,009,433)
Capital contributions		
Contribution - City of Danville	776,526	749,833
Contribution - Pittsylvania County	776,526	749,833
Total capital contributions	1,553,052	1,499,666
Change in net position	2,631,873	490,233
Net position at July 1	51,047,319	50,557,086
Net position at June 30	$ 53,679,192	$ 51,047,319

The accompanying notes are an integral part of this financial statement.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2017

	2017	(For Comparative Purposes Only) 2016
Operating activities		
Receipts from operating grants and activities	$ 1,114,189	$ 72,259
Payments to suppliers for goods and services	(24,336)	68,612
Other payments	(159,163)	(151,558)
Net cash provided by (used in) operating activities	930,690	(10,687)
Capital and related financing activities		
Purchase of capital assets	(1,997,239)	(156,274)
Capital contributions	1,828,183	1,481,773
Interest paid on bonds	(218,207)	(257,157)
Bond issuance costs paid	(45,521)	-
Principal repayments on bonds	(2,075,000)	(1,130,000)
Net cash provided by (used in) capital and related financing activities	(2,507,784)	(61,658)
Investing activities		
Interest received	15,354	5,540
Net cash provided by (used in) investing activities	15,354	5,540
Net increase (decrease) in cash and cash equivalents	(1,561,740)	(66,805)
Cash and cash equivalents - beginning of year	5,295,215	5,362,020
Cash and cash equivalents - end of year	$ 3,733,475	$ 5,295,215

Reconciliation to Statement of Net Position		
Cash and cash equivalents	$ 1,290,474	$ 2,115,547
Restricted cash and cash equivalents	2,443,001	3,179,668
	$ 3,733,475	$ 5,295,215

The accompanying notes are an integral part of this financial statement.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2017

	2017	(For Comparative Purposes Only) 2016
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 1,188,974	$ (926,636)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	809,045	808,129
Non-cash economic incentive expense	289,991	
Operating in-kind expenses	28,036	17,893
Changes in assets and liabilities:		
Change in prepaids	2,140	67
Change in other receivables	(1,376,618)	-
Change in accounts payable - general	(9,078)	94,435
Change in unearned revenue	(1,800)	(4,575)
Net cash provided by (used in) operating activities	$ 930,690	$ (10,687)
Supplemental cash flow information		
Capitalized interest	$ 127,850	$ 160,406
Capital asset additions financed by retainage payable	$ 104,519	$ -
Capital asset additions financed by accounts payable	$ 776,764	$ -

The accompanying notes are an integral part of this financial statement.

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Economic Incentive Grants

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

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

Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (Continued)

Due From Other Governments

Due from other governments generally consists of grant reimbursements receivable from the Virginia Tobacco Commission or other grantor agencies. There was $1,376,619 due from the Virginia Tobacco Commission at June 30, 2017.

Prepaids

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 and contributions received in advance.

Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represents capital assets less accumulated depreciation less any outstanding debt used for the acquisition or improvement of those assets. Restricted net position consists of reserves the Authority is required to maintain under its bond agreements.

2. Summary of Significant Accounting Policies (Continued)

Estimates

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

Income Taxes

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

3. Deposits, Restricted Cash and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized, except for the funds restricted for the Berry Hill Industrial Park debt service. These funds are held in a money market security which is subject to credit risk, although management believes such risk is low.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following at June 30, 2017:

Bond funds to be used for improvements to Cane Creek Centre	$	234,122
Restricted funds for Cane Creek Centre debt service		202,631
Restricted funds for Berry Hill Industrial Park debt service		2,006,248
	$	2,443,001

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, 2017, the Authority held no investments.

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, 2017, the Authority reflects amounts due to Pittsylvania County of $208,947 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 2018, but rather that the balance will be adjusted annually based on contributions made by both localities.

5. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	June 30, 2016 Balance	Increases	Decreases	June 30, 2017 Balance
Capital assets not being depreciated:				
Cyber Park - Land	$ 5,904,783	$ -	$ 289,991	$ 5,614,792
Cane Creek Centre - Land	6,104,039	-	-	6,104,039
Industrial Park - Land	13,062,540	-	-	13,062,540
Total capital assets not being depreciated	25,071,362	-	289,991	24,781,371
Capital assets being depreciated:				
Buildings	25,617,874	-	-	25,617,874
Building Improvements	267,000	43,697	-	310,697
Land Improvements	6,265,238	-	-	6,265,238
Infrastructure	2,006,965	-	-	2,006,965
Total capital assets being depreciated	34,157,077	43,697	-	34,200,774
Less accumulated depreciation for:				
Buildings	7,987,781	601,812	-	8,589,593
Building Improvements	70,260	7,942	-	78,202
Land Improvements	1,176,184	159,152	-	1,335,336
Infrastructure	361,251	40,139	-	401,390
Total accumulated depreciation	9,595,476	809,045	-	10,404,521
Total capital assets being depreciated, net	24,561,601	(765,348)	-	23,796,253
Total capital assets, net	$ 49,632,963	$ (765,348)	$ (289,991)	$ 48,577,624

6. Construction in Progress

Construction in progress consisted of the following at June 30:

	June 30, 2016 Balance	Increases	Decreases	June 30, 2017 Balance
Industrial Park*	$ 4,367,908	$ 2,962,674	$ -	$ 7,330,582

** Current year additions include capitalized interest of $127,850. The construction in progress total for this project includes an accumulated total of $1,216,238 capitalized interest at June 30, 2017.*

7. Long-Term Debt

The following schedule represents all bonds payable:

Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2017
2016 Revenue Refunding bonds	$ 3,700,000	$ 385,000 – 3,700,000	2.27%	8/1/2016	$ 3,335,000
2011 Revenue bonds	11,250,000	$ 780,000 – 5,525,000	2.50 – 4.75%	9/1/2019	2,655,000
	$ 14,950,000				$ 5,990,000

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

On August 1, 2016, the Authority issued $3,700,000 in revenue refunding bonds after applying $900,000 of the Cane Creek debt service reserve funds to the outstanding balance. These bonds were issued to satisfy the outstanding balance of the Series 2013 revenue bonds.

Long-term debt activity for the year ended June 30, 2017 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	$ 8,065,000	$ -	$ 2,075,000	$ 5,990,000	$ 1,230,000
Original issue discount	(4,910)	-	(1,550)	(3,360)	(1,550)
	$ 8,060,090	$ -	$ 2,073,450	$ 5,986,640	$ 1,228,450

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	Interest	Total
2018	$ 1,230,000	$ 173,582	$ 1,416,218
2019	1,290,000	126,218	3,496,944
2020	3,470,000	26,944	6,316,744
	$ 5,990,000	$ 326,744	$ 11,229,906

8. Economic Development

In fiscal year 2017, the Authority approved an agreement where a company located in the Cane Creek Centre repaid to the Authority $114,599 of incentives received for failure to meet certain requirements of the performance agreement.

In fiscal year 2017, the Authority transferred 10 acres in the Cyber Park to the Industrial Development Authority of the City of Danville, VA (IDA) for construction of Kyocera SGS Tec Hub LLC. The Authority's cost of the land was $289,991 and the land is to be used in accordance with a performance agreement between the IDA, Kyocera SGS Tech Hub, LLC, the City of Danville, Virginia and the Authority.

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, 2018 is estimated to be $3,275.

10. Long-Term Operating Leases

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

The Research Building, which has a carrying value of $5,321,681 at June 30, 2017 and accumulated depreciation of $1,714,129, is leased to the Institute for Advanced Learning & Research (IALR) for $10 per year per square foot occupied. The lease was renewed at the same rent terms on June 1, 2013 for a one-year period and will automatically renew annually thereafter for successive one year periods. The rent for the renewal is set forth in the lease agreement. Insurance costs are the responsibility of the lessee. Maintenance costs are the responsibility of the Authority; however, the lessee is engaged to provide for the maintenance obligations and is compensated for these services in an amount equal to the rent paid by the lessee. For fiscal year 2017, $244,626 of rental income was received through this lease.

10. Long-Term Operating Leases (Continued)

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

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

11. Commitments and Contingencies

At June 30, 2017, the Authority had approximately $6.65 million in outstanding engineering and consulting contracts, of which approximately $2,684,474 had not been expended.

On June 12, 2017, the Authority entered into a purchase and sale agreement with Enviva Development Holdings, LLC to sell a certain parcel of land located in the Berry Hill Industrial Park consisting of approximately 168.78 acres off Berry Hill Road for $30,000 per acre and $10 per acre for non-buildable acreage. Enviva Development Holdings, LLC may terminate this agreement before June 12, 2018 or, if an extension is requested and granted, for up to 2 years from the original agreement date.

12. Subsequent Events

On September 7, 2017, the Authority entered into a local performance agreement with a North Carolina limited liability company that would locate in the Authority's Cane Creek Centre Industrial Park. Under the agreement, the Authority would provide an Industrial Enhancement Grant in the amount of $700,000 once the business completes installation of certain equipment of at least that amount in the Facility. The Authority would also apply for and disburse State grants, a State loan and private grant; and would reimburse the business up to $36,000 in qualified residential housing expenses incurred in Pittsylvania County and/or Danville, Virginia. The terms of the agreement have not been finalized.

13. Dissolution of Authority

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

* * * * *

BROWN EDWARDS
certified public accountants

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, 2017, 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 16, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 16, 2017

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
Year Ended June 30, 2017

As more fully described in the **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Cash and Investment Laws
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Conflicts of Interest

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

COMMENTS ON INTERNAL CONTROL AND OTHER SUGGESTIONS FOR YOUR CONSIDERATION

June 30, 2017

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

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

In planning and performing our audit of the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate for the purpose of expressing our opinion on the financial statements and to comply with *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

If material weaknesses or significant deficiencies were identified during our procedures they are appropriately designated as such in this report. Additional information on material weaknesses or significant deficiencies and compliance and other matters is included in the ***Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*** which should be read in conjunction with this report.

Your Success is Our Focus

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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

Lynchburg, Virginia
November 16, 2017

PRIOR YEAR COMMENTS AND SUGGESTIONS
June 30, 2017

SEGREGATION OF DUTIES

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

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

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

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

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

ACCOUNTING AND OTHER MATTERS
June 30, 2017

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. 75

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

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

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

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

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

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

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

GASB STATEMENT NO. 81

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

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

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

GASB Statement No. 81 will be effective for the year ending June 30, 2018.

GASB STATEMENT NO. 82

The objective of **GASB Statement No. 82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes.

GASB Statement No. 82 will be effective for the year ending June 30, 2018. Other parts of this Statement, which are not addressed in the paragraph above, were implemented for the year ending June 30, 2017.

GASB STATEMENT NO. 83

GASB Statement No. 83, *Certain Asset Retirement Obligations* addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

(Continued)

GASB STATEMENT NO. 83 (Continued)

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should re-measure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

(Continued)

GASB STATEMENT NO. 83 (Continued)

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

GASB Statement No. 83 will be effective for the year ending June 30, 2018.

GASB STATEMENT NO. 84

The objective of **GASB Statement No. 84**, *Fiduciary Activities* is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB Statement No. 84 will be effective for the year ending June 30, 2020.

(Continued)

GASB STATEMENT NO. 85

The objective of **GASB Statement No. 85**, *Omnibus 2017* is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]), including:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB Statement No. 85 will be effective for the year ending June 30, 2018.

GASB STATEMENT NO. 86

The primary objective of **GASB Statement No. 86**, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

GASB STATEMENT NO. 86 (Continued)

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an in-substance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust holds only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

GASB Statement No. 86 will be effective for the year ending June 30, 2018.

GASB STATEMENT NO. 87

The objective of **GASB Statement No. 87**, *Leases* is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The lease term is defined as the period during which a lessee has a non-cancelable right to use an underlying asset, plus the following periods, if applicable:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option.
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option.
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option.
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

GASB STATEMENT NO. 87 (Continued)

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised.

Lessees and lessors should reassess the lease term only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option.
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option.
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

(Continued)

GASB STATEMENT NO. 87 (Continued)

Generally, a government should account for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

An amendment to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by re-measuring the lease liability and adjusting the related lease asset by a lessee and re-measuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

GASB Statement No. 87 will be effective for the year ending June 30, 2021.

CURRENT GASB PROJECTS

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

- ***Conceptual Framework – Recognition.*** The project's objective is to develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. This project ultimately will lead to a Concepts Statement on recognition of elements of financial statements. The project is currently in deliberations with an exposure draft expected in March 2020, with a final statement in November 2021.

CURRENT GASB PROJECTS (Continued)

- ***Financial Reporting Model.*** The objective of this project is to make improvements to the financial reporting model, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other reporting model-related pronouncements (Statements No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and No. 46, *Net Assets Restricted by Enabling Legislation, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*). The objective of these improvements would be to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government's accounting and address certain application issues, based upon the results of the pre-agenda research on the financial reporting model. The project is currently in deliberations with an exposure draft expected in March 2020, with a final statement in November 2021.

- ***Revenue and Expense Recognition.*** The objective of this project is to develop a comprehensive application model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions, including guidance for exchange transactions that has not been specifically addressed in the current literature. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. The project is currently in deliberations with an exposure draft expected in March 2021, with a final statement in June 2022.

- ***Capitalization of Interest Cost.*** The objective of this project is to reconsider the accounting and financial reporting standards for capitalization of interest cost, with the goal of enhancing the relevance of capital asset information and potentially simplifying financial reporting. In particular, the guidance will be reviewed in light of the definitions of financial statement elements now established in the GASB's conceptual framework. This project has been added to the current technical agenda, with a final statement expected in June 2018.

- ***Equity Interest Ownership Issues.*** This project will address certain issues related to the reporting of majority equity ownership in legally separate entities. The project will consider improvements to the existing guidance in Statement No. 14, *The Financial Reporting Entity*, on the presentation of ownership interest in a legally separate entity. The project also will consider improvements to the recognition and measurement guidance for wholly-owned legally separate entities that are presented as component units. The project is currently in deliberations with a final statement expected in November 2018.

BROWN EDWARDS
certified public accountants

REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2017. 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 5, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. As described in Note 2, management has accounted for economic incentive grants and agreements with "grantee" industries locating in the area as voluntary non-exchange transactions under *Governmental Accounting Standards Board* Statement No. 33. Under this method, the Authority reports the expenses associated with these incentives once a grantee has met the initial requirements in its performance agreement with the Authority, and it appears unlikely that the grantee will fail to maintain these requirements throughout the specified performance period or unlikely that the resources granted would be recoverable. We have discussed the accounting for these transactions with management and believe the method selected is appropriate in this circumstance, but accounting for transactions such as these involves significant judgment. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements noted during the June 30, 2017 audit.

The following misstatements detected as a result of audit procedures were corrected by management. All amounts are rounded to the nearest thousand:

- A $260,000 increase to construction in progress and a corresponding increase to accounts payable. Also, an increase to other receivables for the same amount and a corresponding increase to operating revenue.
- A $7,000 decrease to construction in progress and a corresponding decrease to accrued interest.
- A $105,000 increase to construction in progress and a corresponding decrease to economic development expense.

Significant Audit Findings (Continued)

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 16, 2017, a copy of which is attached.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Restriction on Use

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 16, 2017

Danville-Pittsylvania Regional Industrial Facility Authority

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

November 16, 2017

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

This representation letter is provided in connection with your audit of the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), which comprise the financial position of the Authority as of June 30, 2017, 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 16, 2017, 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 5, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. You have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.

9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.

11) We have provided the planning communication letter to all members of those charged with governance as requested.

Information Provided

12) We have provided you with:

    a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].

    b) Additional information that you have requested from us for the purpose of the audit.

    c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) 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.

15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    - Management,
    - Employees who have significant roles in internal control, or
    - Others where the fraud could have a material effect on the financial statements.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

17) 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.

18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

19) 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

20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21) We have a process to track the status of audit findings and recommendations.

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.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

24) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

29) 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.

30) 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.

31) 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.

32) Components of net position (net investment in capital assets; restricted; and unrestricted), are properly classified and, if applicable, approved.

33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

34) Provisions for uncollectible receivables have been properly identified and recorded.

35) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

37) Capital assets have been evaluated for potential impairment as a result of significant and unexpected decline in service utility, changes in market value, or the marketability of land.

38) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASBS) Statements that are not yet effective, as discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.

39) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

40) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource

classification is available. That policy determines the fund balance classifications for financial reporting purposes.

41) 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, 2017. We are in agreement with the changes in the due to/from account based on the contributions by each locality in FY 2017.

42) Expenditures of federal awards were below the $750,000 threshold in the audit period, and we were not required to have an audit in accordance with Uniform Guidance.

43) We reaffirm the representations made to you in our letter dated November 16, 2017 regarding your audit for the fiscal year ended June 30, 2017.

44) There was one noncash transaction in the current year, including transfers of property, economic incentive agreements, or other transactions, which is reflected in the financial statements. There are none that are not reflected in the financial statements. All such transactions have been made known to our financial accounting team and to you. The noncash transaction reflected in the current year was related to the transfer of 10 acres of land to the IDA.

45) There are no contingent liabilities whereby the Authority could be obligated to repay Tobacco Commission or other funds upon the failure of a grantee entity to comply with grant requirements.

Signature: Ken Larking
Title: City of Danville – City Manager

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

Signature:
Title: Pittsylvania County –County Administrator

Signature: Kimberly G. Van Der Hyde
Title: Pittsylvania County – Finance Director

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5-C
Meeting Date:	December 11, 2017
Subject:	Financial Status Reports – November 30, 2017
From:	Michael L. Adkins, Authority Treasurer

SUMMARY

A review of the financial status reports through November 30, 2017 will be provided at the meeting. The financial status reports as of November 30, 2017 are attached for the DPRIFA Board's review.

RECOMMENDATION

Staff recommends approving the financial status reports as of November 30, 2017 as presented.

ATTACHMENTS

Financial Status Reports

Danville - Pittsylvania Regional Industrial Facility Authority

Financial Status

Table of Contents

Danville-Pittsylvania Regional Industrial Facility Authority

$7,300,000 Bonds for Cane Creek Centre - Issued in August 2005 [7]

As of November 30, 2017

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
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	28,711.62	43,169.38	
Land		-	2,792,945.57	-	
Demolition services		71,261.62	71,261.62	-	
Legal fees		-	124,519.08	-	
CCC - Lots 3 & 9 project - RIFA Local Share [6]		142,190.00	112,464.98	-	
Other expenditures		-	339,846.72	-	
Total	$ 7,578,582.12	$ 4,311,140.12	$ 7,396,765.95	$ 43,169.38	**$ 138,646.79**

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

[*] 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 9/30/2010 reports. This amount represented the remaining budget amount carried from the $1.7 SP grant upon its expiration for the following contracts: Wetland Delineation, Wetland Bank Plan Rev., Stream Concept Plan, & Stream Attribute Plan. Per Shawn Harden of Dewberry, these contracts are complete and finished under budget. The only contract that remains open is for Wetland Monitoring and the budget, expended, and encumbered amounts included here are only for this contract.

[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 8/1/2013 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 2018

As of November 30, 2017

	Funding	Budget	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
City Contribution	$ 75,000.00				
County Contribution	75,000.00				
Carryforward from FY2017	77,180.29				
Transfer to Mega Park Funding-Other Than Bonds [1]	(20,000.00)				
Contingency					
Miscellaneous contingency items		$ 98,680.29	$0.00	$ -	$ 98,680.29
Berry Hill Wilmot Project (Lot 3B)			7,314.00		$ (7,314.00)
Total Contingency Budget		98,680.29	7,314.00	-	91,366.29
Legal		80,000.00	17,587.00	-	62,413.00
Accounting		20,300.00	12,500.00	7,800.00	-
Annual Bank Fees		600.00		-	600.00
Postage & Shipping		100.00		-	100.00
Meals		4,000.00	783.57	-	3,216.43
Utilities		500.00	122.80	-	377.20
Insurance		3,000.00		-	3,000.00
Total	$ 207,180.29	$ 207,180.29	$ 38,307.37	$ 7,800.00	**$ 161,072.92**

[1] - Transfer to Mega Park Fund-Other Funds for $20,000 to cover contingent liability due to Appalachian Power Company if RIFA cancels the development of Lot 8 at Berry Hill Mega Park or delays completion of the project beyond January 31, 2019. The $20,000 would cover mobilization and other line relocation costs of Appalachian Power Company. Reference Resolution No. 2017-08-14-5C.(Note Appalachian is a unit of American Electric Power (AEP)).

Danville-Pittsylvania Regional Industrial Facility Authority
Mega Park - Funding Other than Bond Funds
As of November 30, 2017

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
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 Comm. 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				
Contingency funds allocated per Resolution 2017-08-14-5C [9]	20,000.00				
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		28,965.00	28,965.00	-	
Dewberry & Davis[3]		990,850.00	987,879.29	2,970.71	
Consulting Services - McCallum Sweeney [7]		115,000.00	103,796.85	-	
Transfer available funds to "Berry Hill Mega Park - Lot 4 Site Development" Project [8]		-	11,203.15	-	
Transfer from General Funds contingency [9]		20,000.00		20,000.00	
Total	$ 14,251,524.83	$ 14,251,524.83	$ 14,228,554.12	$ 22,970.71	**$ (0.00)**

[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 Comission 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.

[8] As approved by RIFA Board on 10/16/2014

[9] As approved by RIFA Board on 8/14/2017

Danville-Pittsylvania Regional Industrial Facility Authority

Berry Hill Mega Park - Lot 4 Site Development

As of November 30, 2017

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
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				
Transfer in from "Mega Park - Funding Other than Bond Funds" Budget[3]	11,203.15				
Expenditures					
Dewberry Engineers Inc.		2,454,957.24	1,528,212.81	926,744.43	
Jones Lang LaSalle		95,000.00	95,000.00	-	
Jones Lang LaSalle - Economic Analysis		12,000.00	-	12,000.00	
VA Water Protection Permit Fee		57,840.00	57,840.00	-	
Wetlands Studies and Solutions, Inc.		141,996.00	77,027.64	64,968.36	
Banister Bend Farm, LLC - Wetland and Stream Credits		122,968.00	122,968.00	-	
DEQ - Construction Activity General Permit		9,600.00	9,600.00	-	
Haymes Brothers, Inc. - Construction on Phase 1 Graded Pad		4,072,642.15	3,680,213.49	392,428.66	
Transfers to "General Expenditures Fiscal Year 2015" Contingency [3]					
Dewberry Engineers Inc.		(108,603.35)	(108,603.35)	-	
Jones Lang LaSalle - Market Analysis Study		(95,000.00)	(95,000.00)	-	
Jones Lang LaSalle - Economic Analysis		(12,000.00)	-	(12,000.00)	
Total	$ 7,900,356.15	$ 6,751,400.04	$ 5,367,258.59	$ 1,384,141.45	**$ 1,148,956.11**

[1] *$300,000 of this was received from each locality 6-2014. $450,000 received 8-2014. $450,000 received 9-2014.*

[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.*

[3] *As approved by RIFA Board on 10/16/2014*

Danville-Pittsylvania Regional Industrial Facility Authority

Rent, Interest, and Other Income Realized for Fiscal Year 2018

As of November 30, 2017

Source of Funds	Park	Property	Carryforward from FY2017	Funding Receipts Current Month	Receipts FY2018	Expenditures FY2018	Unexpended / Unencumbered
Carryforward			$ 630,797.74				
Current Lessees	*Park*	*Property*					
Institute for Advanced Learning and Research (IALR) [1]	Cyberpark	Hawkins Research Bldg.		$21,400.32	$ 107,001.60		
Capital Outdoor, Inc.	Cane Creek	Lot 6		-	1,800.00		
Total Rent				$21,400.32	$ 108,801.60		
Interest Received [2]				$ 436.92	$ 2,615.14		
Expenditures							
Hawkins Research Bldg. Property Mgmt. Fee						$ 85,601.28	
Disbursement to Blair Construction, Inc. for Hawkins Lab Upfit							
Totals			$ 630,797.74	$21,837.24	$ 111,416.74	$ 85,601.28	$ 656,613.20
						Restricted [1]	$ 335,095.38
						Unrestricted	$ 321,517.82

[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]

November 30, 2017*

		Unaudited FY 2018
Assets		
Current assets		
Cash - checking	$	859,561
Cash - money market		791,888
Total current assets		1,651,449
Noncurrent assets		
Restricted cash - project fund CCC bonds		188,316
Restricted cash - debt service fund CCC bonds		430,473
Restricted cash - debt service fund Berry Hill bonds		22
Restricted cash - debt service reserve fund Berry Hill bonds		1,949,561
Capital assets not being depreciated		24,885,889
Capital assets being depreciated, net		23,796,253
Construction in progress		7,226,063
Total noncurrent assets		58,476,577
Total assets		60,128,026
Liabilities		
Current liabilities		
Bonds payable - current portion		1,673,450
Total current liabilities		1,673,450
Noncurrent liabilities		
Bonds payable - less current portion		3,468,190
Total noncurrent liabilities		3,468,190
Total liabilities		5,141,640
Net Position		
Net investment in capital assets		50,954,881
Restricted - debt reserves		2,380,056
Unrestricted		1,651,449
Total net position	$	54,986,386

[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 November 30, 2017 as of November 28, 2017, 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
November 30, 2017*

	Unaudited FY 2018
Operating revenues	
Virginia Tobacco Commission Grants	1,323,219
Rental income	110,277
Total operating revenues	1,433,496
Operating expenses [4]	
Mega Park expenses [3]	1,402,622
Cane Creek Centre expenses [3]	13,767
Cyber Park expenses [3]	88,420
Professional fees	30,407
Insurance	2,199
Other operating expenses	1,179
Total operating expenses	1,538,594
Operating income (loss)	(105,098)
Non-operating revenues (expenses)	
Interest income	8,262
Interest expense	(45,357)
Total non-operating expenses, net	(37,095)
Net income (loss) before capital contributions	(142,193)
Capital contributions	
Contribution - City of Danville	724,694
Contribution - Pittsylvania County	724,694
Total capital contributions	1,449,388
Change in net position	1,307,195
Net position at July 1, 2017	53,679,191
Net position at November 30, 2017	$ 54,986,386

[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.

5 Please note this statement will change once all FY2018 entries are made and may also change depending on audit adjustments, if any, for FY2018 and the nature of those audit adjustments.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
*November 30, 2017**

		Unaudited FY 2018
Operating activities		
Receipts from grant reimbursement requests	$	2,699,838
Receipts from leases		108,800
Payments to suppliers for goods and services		(2,539,867)
Net cash used by operating activities		268,771
Capital and related financing activities		
Capital contributions		1,146,222
Interest paid on bonds		(91,909)
Principal repayments on bonds		(845,000)
Net cash provided by capital and related financing activities		209,313
Investing activities		
Interest received		8,262
Net cash provided by investing activities		8,262
Net increase (decrease) in cash and cash equivalents		486,346
Cash and cash equivalents - beginning of year (including restricted cash)		3,733,475
Cash and cash equivalents - through November 30, 2017 (including restricted cash)	$	4,219,821
Reconciliation of operating loss before capital contributions to net cash used by operating activities:		
Operating income (loss)	$	(105,098)
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		230
Change in other receivables		1,376,619
Change in accounts payable		(1,001,505)
Change in unearned income		(1,475)
Net cash used by operating activities	$	268,771

Components of cash and cash equivalents at November 30, 2017:		
American National - Checking	$	859,561
American National - General money market		791,888
Wells Fargo - $7.3M Bonds CCC Debt service fund		430,473
Wells Fargo - $7.3M Bonds CCC Project fund		188,316
US Bank - $11.25M Bonds Berry Hill Debt service fund		22
US Bank - $11.25M Bonds Berry Hill Debt service reserve fund		1,949,561
	$	4,219,821