Danville-Pittsylvania Regional Industrial Facility Authority

CITY OF DANVILLE, VIRGINIA
COUNTY OF PITTSYLVANIA, VIRGINIA

AGENDA

MONDAY, JANUARY 10, 2011

12:00 NOON

DANVILLE REGIONAL AIRPORT
EASTERN CONFERENCE ROOM
424 AIRPORT DRIVE, DANVILLE, VIRGINIA

COUNTY OF PITTSYLVANIA MEMBERS

COY E. HARVILLE, VICE CHAIRMAN
HENRY A. "HANK" DAVIS, JR.
FRED M. INGRAM, ALTERNATE

CITY OF DANVILLE MEMBERS

SHERMAN M. SAUNDERS, CHAIRMAN
T. DAVID LUTHER
FRED O. SHANKS, III, ALTERNATE

STAFF

JOSEPH C. KING, CITY MANAGER, DANVILLE
WILLIAM D. SLEEPER, PITTSYLVANIA COUNTY ADMINISTRATOR
CLEMENT & WHEATLEY, ATTORNEY FOR AUTHORITY
BARBARA A. DAMERON, AUTHORITY TREASURER

1. MEETING CALLED TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT PERIOD

CITIZENS WHO DESIRE TO SPEAK ON AN AGENDA ITEM WILL BE HEARD AT THIS TIME. PLEASE NOTE THE PUBLIC COMMENT PERIOD INCLUDES A THREE-MINUTE TIME RESTRICTION FOR COMMENTS.

4. APPROVAL OF MINUTES (DECEMBER 13, 2010)

5. CONSIDERATION OF A RESOLUTION (I) APPROVING RENEWAL OF THE AUTHORITY'S MEMBER AGREEMENT IN ORDER TO CONTINUE PARTICIPATION WITH VML INSURANCE PROGRAMS THAT COVER THE AUTHORITY AND ITS PROPERTY; AND (II) AUTHORIZING AND/OR RATIFYING THE EXECUTION OF ALL NECESSARY DOCUMENTS PERTAINING THERETO.

6. DISCUSSION OF THE AUDITED FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2010 – NORMAN YODER & SUSAN CHAPMAN OF BROWN, EDWARDS & COMPANY, LLP.

7. CONSIDERATION OF A RESOLUTION (I) AUTHORIZING A PERFORMANCE AGREEMENT WITH THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP ("VEDP"), A POLITICAL SUBDIVISION OF THE COMMONWEALTH OF VIRGINIA, UNDER WHICH VEDP WOULD AWARD TO THE AUTHORITY A $500,000 SITE EVALUATION AND PLANNING GRANT FROM THE MAJOR EMPLOYMENT AND INVESTMENT PROJECT SITE PLANNING GRANT FUND, FOR DESIGN ENGINEERING, SURVEYING, RIGHT-OF-WAY PROCUREMENT, SOIL ANALYSIS, AND SOIL EROSION CONTROL PROJECTS FOR THE BENEFIT OF THE AUTHORITY'S BERRY HILL REGIONAL MEGA PARK SITE; AND (II) AUTHORIZING THE CHAIRMAN AND/OR THE VICE CHAIRMAN TO EXECUTE ALL NECESSARY DOCUMENTS PERTAINING THERETO.

8. CONSIDERATION OF A RESOLUTION (I) AUTHORIZING THE SUBMISSION OF A GRANT APPLICATION TO THE ECONOMIC DEVELOPMENT ADMINISTRATION OF THE U.S. DEPARTMENT OF COMMERCE TO PAY FOR CERTAIN SITE IMPROVEMENTS TO LOTS 3 AND 9, OWNED BY THE AUTHORITY, LOCATED IN THE CANE CREEK CENTRE; AND (II) AUTHORIZING THE CHAIRMAN AND/OR THE VICE CHAIRMAN TO EXECUTE ALL NECESSARY DOCUMENTS PERTAINING THERETO.

9. FINANCIAL REPORT

10. CLOSED MEETING –

AS PERMITTED BY SECTION 2.2-3711(A)(7) OF THE CODE OF VIRGINIA, 1950 AS AMENDED, FOR CONSULTATION WITH AND BRIEFING BY LEGAL COUNSEL PERTAINING TO ACTUAL LITIGATION REGARDING NANCY BARBOUR SMITH, *ET AL.* V. PITTSYLVANIA COUNTY BOARD OF SUPERVISORS (CASE NO. CL10000088-00), WHERE SUCH CONSULTATION OR BRIEFING IN OPEN MEETING WOULD ADVERSELY AFFECT THE LITIGATING POSTURE OF THE AUTHORITY.

A. MOTION TO CONVENE IN CLOSED MEETING

B. MOTION TO RECONVENE IN OPEN MEETING

C. MOTION TO CERTIFY CLOSED MEETING

11. ACTION ON MATTERS CONSIDERED IN CLOSED MEETING

12. COMMUNICATIONS FROM:

HENRY A. "HANK" DAVIS, JR.
COY E. HARVILLE
FRED M. INGRAM
T. DAVID LUTHER
SHERMAN M. SAUNDERS
FRED O. SHANKS, III
STAFF

13. ADJOURN

AGENDA
ITEM NUMBER 4

Danville-Pittsylvania Regional Industrial Facility Authority
Minutes
December 13, 2010

The Regular Meeting of the Danville Pittsylvania Regional Industrial Facility Authority convened at 12 o'clock Noon on the above date at the Dan River Business Development Center located at 300 Ringgold Industrial Parkway. Present were City of Danville Members Chairman Sherman Saunders, David Luther and Alternate Fred Shanks and Pittsylvania County Members Vice Chairman Coy Harville and Hank Davis (5). Alternate Fred Ingram was absent (1).

City/County staff members attending were: Danville City Manager Joe King, Pittsylvania County Administrator Dan Sleeper, Pittsylvania County Assistant Administrator for Planning Greg Sides, Pittsylvania County Economic Development Director Ken Bowman, Danville Economic Development Consultant Linwood Wright, Danville Finance Director/Authority Treasurer Barbara Dameron, Danville Senior Accountant Patricia Knutti, Clement and Wheatley Attorneys Michael Guanzon and Glenn Pulley, and Secretary to the Authority Annette Crane.

Also present were EIT South General Manager Michael Duncan, EIT President David Faliskie, Blair Construction Company Vice President of Operations Tim Clark, and Nancy Barbour Smith.

Chairman Saunders called the Meeting to order.

PUBLIC COMMENT PERIOD

There were no comments from citizens.

APPROVE NOVEMBER 10 AND NOVEMBER 22, 2010 MINUTES

Upon Motion by Mr. Harville and second by Mr. Luther, Minutes of the November 10 Regular Meeting and November 22, 2010 Special Called Meeting were approved as presented. Draft copies had been distributed to RIFA members prior to the Meeting.

APPROVE TRANSFERS TO GENERAL EXPENDITURES FOR LEGAL FEES

Mr. Harville moved to approve a total increase of $20,570.82 to the General Expenditures "Legal" Budget for FY 2011 using $14,570.82 from available funding and transferring $6,000 from the Contingency Budget. The Motion was seconded by Mr. Luther and carried by the following vote:

VOTE: 4-0
AYE: Davis, Harville, Luther, and Saunders (4)
NAY: None (0).

CONSIDER PROPOSED PERFORMANCE GRANT AGREEMENT-EIT

Chairman Saunders gave Mr. Duncan the opportunity to speak and said the matter would be discussed later in the meeting. Mr. Duncan said the situation for Donnachaidh changed due to the economic meltdown and the project stalled. Donnachaidh was unable to follow though with its plans. He said it became problematic to get financing from banks.

CONSIDER PROPOSED SETTLEMENT AGREEMENT-DONNACHAIDH

Mr. Duncan said Electronic and Instrumentation and Technolody, LLC (EIT) wishes to expand and Donnachaidh is willing to deed its 5.09 acre site to EIT. He stated there would be further discussion during the Closed Meeting that is on today's meeting agenda.

Authority Attorney Michael Guanzon stated the EIT and Donnachaidh items were related. The Performance Agreement was with Donnachaidh first for a small parcel of property as related by Mr. Duncan. The proposed new grant agreement would be an enlargement of that and will be considered in the Closed Meeting with possible action following the Closed Meeting.

MEGA PARK UPDATE

City Manager Joe King stated he believed the Board was aware the Tobacco Commission set aside a certain amount of money for state-wide use for the development of mega parks. City and County staff members had been to Richmond and revised the application with Tobacco Commission staff. Expectations for the mega park have changed dramatically since it was first announced. After state-wide considerations for tobacco funds came into the mix and all those concerns were accommodated, what actually happened was the bar was lowered significantly. The Tobacco Commission issued solicitations for a grant proposal with a very short time line and defined "mega park" as providing up to 400 jobs and a $50,000,000 investment. That is probably no more than one-fifth of the size that is being considered for the local mega park. That opened opportunities for other communities who were further along with smaller industrial developments. This limited the opportunity locally. Mr. King said there were significant discussions with the Tobacco Commission and staff came away with a much different understanding of what was contemplated at this stage. The Commission indicated there was huge competition across the tobacco region for Commission money. The Commission is looking for immediate job creation and a substantial amount of local investment -- not just a customary 10% local match. The Commission indicated that in the mega park category, it was looking for more of a partnership than the 90% Tobacco Commission funding. Mr. King said the grant application had been down-scaled and with very little option to do so. He said the focus is to make the mega park shovel-ready by completing engineering work, required right-of-way and easements and being able, when the first major tenant was recruited, to gear up quickly. Mr. King distributed copies of the revised application for RIFA members' review. A $2.7 million grant with $1 million in local matching funds would enable to commence the engineering and right-of-way work to bring a major infrastructure into play. Once this is accomplished, the site would be marketed to bring in a large-scale industry.

FINANCIAL REPORT

Danville Finance Director Barbara Dameron reviewed the Monthly Financial Report. Ms. Dameron advised the auditors would be present for the January 2011 RIFA Meeting. There were no questions or comments from RIFA members.

Upon **Motion** by Mr. Luther and second by Mr. Davis, the Monthly Financial Report was accepted as presented by the following vote:

VOTE: 4-0

AYE: Davis, Harville, Luther, and Saunders (4)
NAY: None (0).

CLOSED MEETING

At 12:35 P.M. Mr. Davis **moved** that the meeting of the members of the Danville-Pittsylvania Regional Industrial Facility Authority be recessed and that the members of the Authority immediately reconvene in executive closed meeting for the purpose of:

- As permitted by Section 2.2-3711 (A) (7) of the Code of Virginia, 1950, as amended, for consultation with and briefing by legal counsel pertaining to actual litigation regarding Nancy Barbour Smith, et al. v. Pittsylvania County Board of Supervisors (Case No. C110000088-00), where such consultation or briefing in open meeting would adversely affect the litigating posture of the Authority
- As permitted by Section 2.2-3711 (A) (3) of the Code of Virginia, 1950, as amended, for discussion or consideration of the reacquisition of Lot 3D from Donnachaidh, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority
- As permitted by Section 2.2-3711 (A) (3) of the Code of Virginia, 1950, as amended, for discussion or consideration of the disposition of the Authority's interest in Lot 3D and part of Lot 3C to EIT, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority.

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

VOTE: 4-0
AYE: Davis, Harville, Luther, and Saunders (4)
NAY: None (0).

Mr. Luther left the Meeting at 1:05 P.M.

At 1:25 P.M. upon unanimous vote, the Meeting reconvened in open session.

Mr. Davis **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 confirmity 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 requirements of Virginia Law were discussed in the Closed Meeting to which this Certification Resolution applies, and (ii) only such public business matters as were identified in the Motion convening the Closed Meeting were heard, discussed, or considered by the Authority.

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

VOTE: 4-0
AYE: Davis, Harville, Saunders, and Shanks (4)
NAY: None (0).

AUTHORIZE EIT PERFORMANCE GRANT AGREEMENT

Mr. Shanks **moved** approval of Resolution No. 12-13-10A authorizing a Performance Grant Agreement among the Authority; the City of Danville, Virginia; the County of Pittsylvania, Virginia; and Electronic Instrumentation and Technology, LLC, a Virginia Limited Liability Company ("EIT"), which includes, among other things, a land grant to EIT of the Authority's interest in real property, containing 16.644 acres, more or less, fronting on Stinson Drive, Danville, Virginia (namely Lot 3D, containing 5.092 acres, Tax PIN 78471 ("Lot 3D"), plus a portion of Lot 3C (Part of Tax PIN 77831), to contain 11.55 acres, more or less ("Part of Lot 3C"), as part of an incentive package to be offered by the City and the County which includes job creation grant funds to EIT, in exchange for EIT (I) expanding its operations in the area and constructing a new facility (the "Facility"); (II) making capital investments at the facility of at least $5 million; (III) creating 50 new full-time jobs at the facility; and (IV) repaying to the City and the County a total of $285,000 in cash grants (which were part of a former incentive package to Donnachaidh Associates, LLC, including Lot 3D). The Motion was seconded by Mr. Davis and carried by the following vote:

VOTE: 4-0
AYE: Davis, Harville, Saunders, and Shanks (4)
NAY: None (0).

AUTHORIZE THE 2010 DONNACHAIDH AGREEMENT

Mr. Harville **moved** approval of Resolution No. 12-13-10B authorizing the execution of a Settlement Agreement (the "2010 Donnachaidh Agreement") with Donnachaidh Associates, LLC, the City and the County, which includes, among other things, (I) the reconveyance of Lot 3D to the Authority as part of the EIT Performance Grant Agreement (PG Agreement); (II) the execution of the EIT PG Agreement by EIT and others; and (III) the termination of that certain Performance Agreement dated October 17, 2008, between the Authority, Donnachaidh, Michael J. Duncan, Gary K. Felton, the City and the County. The Motion was seconded by Mr. Shanks and carried by the following vote:

VOTE: 4-0
AYE: Davis, Harville, Saunders, and Shanks (4)
NAY: None (0).

COMMUNICATIONS

Mr. Sleeper advised an Agreement with Dewberry would be considered during the January 2011 RIFA Meeting.

The Meeting adjourned at 1:30 P.M.

_____
Chairman

_____
Secretary to the Authority

AGENDA
ITEM NUMBER 5

Danville-Pittsylvania Regional Industrial Facility Authority

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

Date: January 5, 2011

To: Danville-Pittsylvania Regional Industrial Facility Authority Board Members

From: Barbara Dameron

Subject: VML Insurance Renewal for 2011-2012

VML Insurance Programs (VML) currently insures RIFA. We have received the renewal questionnaire for the 2011-2012 period. Attached is a copy of the current certificate of coverage detailing the types of coverage and limits of the coverage currently in place. Also attached is the contribution summary for the 2010-2011 period, which lists the current rates for each type of coverage. These rates are subject to fluctuate for the 2011-2012 period depending on appraisals that may or may not be needed and other items. However, the rates should remain consistent as there have not been significant changes to our property schedule or risk exposure.

Staff believes that this policy adequately insures RIFA and suggests that the RIFA Board approve to renew our coverage with VML for the 2011-2012 period.

Resolution No. 2011-01-10-5

A RESOLUTION (I) APPROVING RENEWAL OF THE AUTHORITY'S MEMBER AGREEMENT IN ORDER TO CONTINUE PARTICIPATION WITH VML INSURANCE PROGRAMS THAT COVER THE AUTHORITY AND ITS PROPERTY; AND (II) AUTHORIZING AND/OR RATIFYING THE EXECUTION OF ALL NECESSARY DOCUMENTS PERTAINING THERETO.

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, at its June 14, 2010, meeting, the Authority authorized the execution of that certain Member Agreement (the "Member Agreement") with the VML Insurance Programs (the "Self-Insurance Pool"), a group self-insurance pool licensed by the Virginia Bureau of Insurance, and the Virginia Municipal League, a local association of city, town and county governments; and

WHEREAS, the Self-Insurance Pool, authorized by Chapter 27 of Title 15.2 of the Code of Virginia, 1950, as amended, is a mechanism for city, town and county governments to provide for joint and cooperative action to self-insure and to pool their separate risks and liabilities; 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 for the Authority to renew its membership in the Self-Insurance Pool and its insurance coverage by the Self-Insurance Pool.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority does hereby approve, direct, and ratify the submission to the Self-Insurance Pool (i) a completed application for minimum insurance coverage as set forth in the attached Certificate of Coverage and Contribution Summary, (ii) a Member Agreement with the Self-Insurance Pool, and (iii) all other documents pertaining to the renewal of its membership to the Self-Insurance Pool, together with such amendments, deletions or additions thereto as may be made by any of the Chairman, the Vice Chairman and the Treasurer of the Authority, and the Pittsylvania County Administrator, and/or the Danville City Manager as staff members and agents of the Authority.

2. The Authority hereby authorizes each of the Chairman, the Vice Chairman, and the Treasurer of the Authority, and the Pittsylvania County Administrator, and/or the Danville City Manager, as staff members and agents of the Authority, to execute and deliver such documents on behalf of the Authority, such execution of the same by any of those persons to conclusively establish 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 in furtherance of the Authority's renewal of its membership to the Self-Insurance Pool, 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, the Chairman, the Vice Chairman, and the Treasurer of the Authority, and the Pittsylvania County Administrator, and/or the Danville City Manager, and its other agents and representatives, in respect of the Authority's membership in the Self-Insurance Pool and obtaining insurance coverage.

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the Directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 10, 2011, 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 10th day of January 2011.

_____

Annette Y. Crane
Secretary, Danville-Pittsylvania Regional Industrial Facility Authority

(SEAL)

CERTIFICATE OF COVERAGE

Rev. 07/07/05

Producer:
VML INSURANCE PROGRAMS
P.O. Box 3239, Glen Allen, VA 23058
1-800-963-6800 (Phone); 1-804-968-4662 (Fax)
www.vmlins.org

This Certificate is issued as a matter of information only and confers no rights upon the Certificate Holder. This Certificate does not amend, extend or alter the Membership Agreement afforded by the policies below, nor guarantees the solvency of VML Insurance Programs.

COMPANIES AFFORDING COVERAGE

VML Insurance Programs

Named Insured:
Danville-Pittsylvania Regional Industrial Facility Authority
P.O. Box 3300
Danville, VA 24543

COVERAGES

This is to certify that the coverage listed below has been issued to the Member named above for the policy period indicated, notwithstanding any requirement, term or condition of any contract or other document with respect to which this Certificate may be issued or may pertain, the coverage afforded by the policies described herein is subject to all the terms, exclusions and conditions of the Member Agreement and the policy forms. Limits shown may have been reduced by paid claims.

Type of Coverage	Policy Number	Effective Date	Expiration Date	Limits	
General Liability	P-2010-2011-VMLP-0628-1	07/01/2010	07/01/2011	Each Occurrence	$1,000,000
				Any One Fire	$100,000
				Any One Person	$10,000
Excess Liability	P-2010-2011-VMLP-0628-1	07/01/2010	07/01/2011	Per Occurrence	$1,000,000

Description of Operations/Locations/Vehicles/Special Items
Evidence of coverage for File #1105304. Norfolk Southern Railway Company is additional insured.

CERTIFICATE HOLDER
Norfolk Southern Insurance Compliance
PO Box 12010-NF
Hemet, CA 92546-8010

CANCELLATION: Should the above described Member Agreement be cancelled before the expiration date thereof, VML Insurance Programs will endeavor to mail written notice within 30 days to the Certificate Holder named to the left, but failure to mail such notice shall impose no obligation of any kind upon VML Insurance Programs, its agents or representatives.

By: *Melanie Berman* Date: 09/07/2010

VML INSURANCE PROGRAMS
Virginia's Local Government Specialists™
P.O. Box 3239, Glen Allen, VA 23058
1-800-963-6800 (Phone); 1-804-968-4662 (Fax); www.vmlins.org

CONTRIBUTION SUMMARY

AT 12:01 A.M. STANDARD TIME AT YOUR ADDRESS SHOWN BELOW

Member Name: Danville-Pittsylvania Regional Industrial Facility Authority
Member Address: P.O. Box 3300
Danville, VA 24543

Member Type: IDA/EDA **Policy Number:** P-2010-2011-VMLP-0628-1

IN RETURN FOR THE PAYMENT OF THE CONTRIBUTION SHOWN, AND SUBJECT TO ALL THE TERMS OF THE COVERAGE DOCUMENTS, WE AGREE WITH YOU TO PROVIDE THE COVERAGE DESCRIBED BELOW.

The coverage consists of the following parts for which a contribution is indicated. The contribution may be subject to adjustment	BASIC CONTRIBUTION
AUTOMOBILE COVERAGE PART	$89
LOCAL GOVERNMENT LIABILITY (Occurrence)	$1,107
NO FAULT COVERAGE PART	N/A
EXCESS LIABILITY COVERAGE PART	$135
PROPERTY COVERAGE PART	$3,849
MISCELLANEOUS PROPERTY ITEMS COVERAGE PA	$128
BOILER AND MACHINERY COVERAGE PART	$476
CRIME COVERAGE PART	$280
WORKERS' COMPENSATION COVERAGE PART	N/A
TOTAL	**$6,063**

CONTRIBUTION SHOWN IS PAYABLE: $6,063 at inception

Ann J Chandler
Authorized Signature

04/16/10
Date

Printed on Sep 7 2010 3:55PM

AGENDA
ITEM NUMBER 6

Danville-Pittsylvania Regional Industrial Facility Authority

427 Patton Street, Room 428
Danville, VA 24541
Telephone: 434-797-8928
Facsimile: 434-799-5041

Date: **January 5, 2011**

To: **Danville-Pittsylvania Regional Industrial Facility Authority (RIFA) Board of Directors**

From: **Barbara A. Dameron**

Subject: **Financial Report**

Attached are the *Financial Report* for fiscal year ending June 30, 2010, as well as the *Comments on Internal Control and Other Suggestions for Your Consideration* and the *Management Letter* for the fiscal year from Brown, Edwards & Company, LLP, Independent Auditors for RIFA. Norman Yoder and Susan Chapman from Brown, Edwards & Company, LLP will attend the meeting on January 10, 2011 to discuss the audit of the Financial Reports and answer any questions you may have concerning the reports.

The *Management Letter* lists two adjustments made by the auditors. The first is an adjustment to record a receivable due from other governments related to grant expenditures that were reimbursed after fiscal year end. The revenue from this reimbursement was recorded in the current fiscal year and should have been recorded in fiscal year 2010. This is because the related expenditure is for work performed in fiscal year 2010 and meets the applicable eligibility requirements for reimbursement as of fiscal year end, even though the reimbursement request was submitted after fiscal year end. The second adjustment records the second scheduled payment of a reimbursement of an incentive grant as an other receivable. This payment was due to RIFA from the entity in November 2010; however, the event that caused the payment to become due occurred prior to fiscal year end. Since the event occurred prior to fiscal year end, this scheduled payment was revenue for fiscal year 2010. In both cases, the staff now clearly understands the nature of these transactions and adjustments of this nature should not be likely in future years.

The *Comments on Internal Control and Other Suggestions for Your Consideration* continues to note the lack of segregation of duties. Limited human resources make it difficult to achieve ideal segregation of duties; however, the staff has made improvements in this area during fiscal year 2010. These improvements reduced this item from a material weakness to a significant deficiency for fiscal year 2010. The staff will continue to seek further opportunities to strengthen the segregation of duties and implement additional internal controls where possible to compensate for the lack of segregation that still exists. The letter also notes that two significant adjustments were noted by the auditors for fiscal year 2010, which are discussed in the paragraph above. The capital asset item has been fulfilled for fiscal year 2010 as the Board adopted a formal Capitalization Policy at its November 16, 2009 meeting.

We are pleased with the audit and the improvements we have made in internal controls. We will continue to seek areas for improvement in the upcoming year.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

FINANCIAL REPORT

June 30, 2010

Danville-Pittsylvania Regional Industrial Facility Authority

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BROWN,
EDWARDS&
COMPANY, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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, 2010. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Authority's 2009 financial statements on which, in our report dated November 17, 2009, we expressed an unqualified opinion.

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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented a management discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 27, 2010

Providing Professional Business Advisory & Consulting Services
319 McClanahan Street, S.W. • P.O. Box 12388 • Roanoke, VA 24025-2388 • 540-345-0936 • Fax: 540-342-6181 • www.BEcpas.com

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Assets
June 30, 2010 and 2009

	2010	(For Comparative Purposes Only) 2009
Assets		
Current assets		
Cash and cash equivalents	$ 517,871	$ 554,579
Due from other governments	254,814	-
Other receivables	140,305	20
Prepaids	10,470	7,566
Total current assets	923,460	562,165
Noncurrent assets		
Restricted cash and cash equivalents	1,687,352	1,449,434
Due from Pittsylvania County	220,847	224,209
Capital assets not being depreciated	25,396,069	23,523,174
Capital assets being depreciated, net	28,161,909	28,005,468
Construction in progress	1,023,794	1,409,661
Unamortized bond issue costs	116,551	124,321
Total noncurrent assets	56,606,522	54,736,267
Total assets	57,529,982	55,298,432
Liabilities		
Current liabilities		
Accrued interest payable	2,122	3,404
Accounts payable	26,492	105,852
Due to City of Danville	10,457,372	9,559,726
Unearned revenue	-	85,655
Bonds payable - current	275,000	260,000
Total current liabilities	10,760,986	10,014,637
Noncurrent liabilities		
Due to City of Danville	220,847	224,209
Bonds payable	6,180,000	6,455,000
Total noncurrent liabilities	6,400,847	6,679,209
Total liabilities	17,161,833	16,693,846
Net Assets		
Invested in capital assets - net of related debt	39,356,752	38,027,356
Unrestricted	1,011,397	577,230
Total net assets	$ 40,368,149	$ 38,604,586

The accompanying notes are an integral part of these financial statements.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues and Expenses and Changes in Fund Net Assets
June 30, 2010 and 2009

	2010	(For Comparative Purposes Only) 2009
Operating revenues		
Virginia Tobacco Commission grants	$ 1,760,776	$ 1,808,968
Other grants	85,655	191,761
Other income	15,171	7,010
Reimbursement of incentive grant	181,340	-
Total operating revenues	2,042,942	2,007,739
Operating expenses		
Depreciation & amortization	925,624	898,720
Economic development - Cyber Park	-	914,766
Infrastructure - Cane Creek Centre	-	6,200
Other operating expenses	197,576	209,980
Total operating expenses	1,123,200	2,029,666
Operating income (loss)	919,742	(21,927)
Non-operating revenues (expenses)		
Interest income	7,919	12,293
Interest expense	(25,304)	(191,123)
Total non-operating expenses, net	(17,385)	(178,830)
Net income (loss) before capital contributions	902,357	(200,757)
Capital contributions		
Contribution - City of Danville	430,603	482,560
Contribution - Pittsylvania County	430,603	482,560
Total capital contributions	861,206	965,120
Change in net assets	1,763,563	764,363
Net assets at July 1,	38,604,586	37,840,223
Net assets at June 30,	$ 40,368,149	$ 38,604,586

The accompanying notes are an integral part of these financial statements.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
June 30, 2010 and 2009

	2010	(For Comparative Purposes Only) 2009
Operating activities		
Receipts from operating grants and activities	$ 1,501,682	$ 3,149,891
Payments to suppliers for goods and services	(82,264)	(918,482)
Other payments	(137,070)	(202,970)
Net cash provided by operating activities	1,282,348	2,028,439
Capital and related financing activities		
Purchase of capital assets	(2,531,100)	(11,694,132)
Advances from the City of Danville	1,872,896	9,474,555
Payments on advances from the City of Danville	(1,006,466)	-
Capital contributions	861,206	965,120
Interest paid on bonds	(25,593)	(196,053)
Principal repayments on bonds	(260,000)	(250,000)
Net cash used in capital and related financing activities	(1,089,057)	(1,700,510)
Investing activities		
Interest received	7,919	12,293
Net cash provided by investing activities	7,919	12,293
Net increase in cash and cash equivalents	201,210	340,222
Cash and cash equivalents - beginning of year (including restricted cash)	2,004,013	1,663,791
Cash and cash equivalents - end of year (including restricted cash)	$ 2,205,223	$ 2,004,013
Reconciliation of operating income before capital contributions to net cash provided by operating activities:		
Operating income (loss)	$ 919,742	$ (21,927)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	917,854	890,949
Amortization of bond issue costs	7,770	7,771
Non-cash economic incentive expenses	-	629,766
Changes in assets and liabilities:		
Change in prepaids	(2,904)	923
Change in due from other governments	(254,814)	1,236,701
Change in other receivables	(140,285)	10
Change in accounts payable	(79,360)	(14,875)
Change in retainage payable	-	(7,866)
Change in due to City of Danville	-	(578,481)
Change in due to Pittsylvania County	-	(26,983)
Change in unearned revenue	(85,655)	(87,549)
Net cash provided by operating activities	$ 1,282,348	$ 2,028,439

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Activities

The ***Danville-Pittsylvania Regional Industrial Facility Authority*** "the Authority" was created by ordinance of the Board of Supervisors of Pittsylvania County, Virginia, and the City Council of the City of Danville, Virginia, to promote and further the purposes of the *Virginia Regional Industrial Facilities Act*, Chapter 64, Title 15.2 of the *Code of Virginia*, (1950) as amended (Act). The Authority is an entity jointly owned by the City of Danville and Pittsylvania County and is a political subdivision of the Commonwealth of Virginia. The Authority is empowered, among other things, to borrow money to pay the costs of real estate and all improvements located 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 personnel and office space to the Authority at no charge.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the Authority's financial statements to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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

Economic Incentive Grants

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

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

In April 2005, the Authority entered into an agreement with an entity to provide funding and land to the Company if it met specific capital investment and jobs requirements within 60 months of the agreement. In August 2009, it became clear that the Company would be unable to fulfill the jobs requirements as specified. As a result, a new agreement was entered into with the Company providing it with an altered jobs requirement and time-frame for meeting those requirements. Part of this renegotiated agreement included the return of a portion of funding to the Authority. The funds to be returned total $181,340 and consist of local funding originally provided by the City of Danville and Pittsylvania County. The Company made the first payment on this balance in November 2009. The remaining amount is due in November 2010. The returned funds are reported as operating revenue in 2010.

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. At times the Authority's cash balances may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes that no significant credit risk exists with respect to these balances.

Due From Other Governments

Due from other governments consists of a grant reimbursement receivable from the Virginia Tobacco Commission in the amount of $254,814 at June 30, 2010.

Other Receivables

Other receivables consist of rent payments and returned incentives due to the Authority at year-end.

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, and then unrestricted resources, as they are needed.

Capital Assets Being Depreciated

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.

Unearned Revenue

Unearned revenue represents revenue received but not recognized since it has not been earned. Unearned revenue is comprised of money received through grants in advance of services to be provided.

Net Assets

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

Estimates

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

Bond Issue Costs

Bond issue costs are amortized over the life of the bond using the effective interest rate method.

Income Taxes

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 27, 2010, the date the financial statements were available to be issued.

3. Deposits, Restricted Cash and Investments

Deposits

All deposits of the Authority are maintained in accounts covered by the Federal Depository Insurance Corporation (FDIC) or are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia.

Restricted Cash and 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).

Restricted cash and investments consist of the following at June 30, 2010:

Bond funds to be used on Cane Creek Centre	$	1,223,571
Restricted funds for Cane Creek Centre debt service		463,781
	$	1,687,352

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

Credit Risk - In accordance with State statutes, the Authority authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia's State Non-Arbitrage Pool (SNAP). All cash of the Authority was held in money market or checking accounts at June 30, 2010.

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

4. Due To/From Member Localities

The Authority is equally funded by the City of Danville and Pittsylvania County. The two localities have signed agreements to share all costs of the Authority equally. At times, one locality may front all costs associated with a transaction, creating an amount owed by the other. The Authority reflects this as all transactions associated with the Authority are recorded on the Authority's books. At June 30, 2010, the Authority reflects amounts due from Pittsylvania County of $220,847 and a corresponding due to the City of Danville for the same amount. This stems from items paid for or contributed by the City of Danville in excess of its share. It is not expected that Pittsylvania County will repay this amount in full in fiscal year 2011, but rather that the balance will be adjusted annually based on contributions made by the localities.

5. Capital Assets

Capital asset activity was as follows:

	June 30, 2009 Balance	Increase	Decrease	June 30, 2010 Balance
Capital assets, not being depreciated:				
Cyber Park - Land	$ 1,248,154	$ -	$ -	$ 1,248,154
Riverview Park - Land	4,455,179	-	-	4,455,179
Cane Creek Centre - Land	6,591,634	-	-	6,591,634
Mega Park - Land	11,228,207	1,872,895	-	13,101,102
Total capital assets not being depreciated	$23,523,174	$ 1,872,895	$ -	$25,396,069
Capital assets, being depreciated:				
Buildings	25,543,899	73,975	-	25,617,874
Building Improvements	267,000	-	-	267,000
Land Improvements	3,464,638	1,000,320	-	4,464,958
Infrastructure	2,006,965	-	-	2,006,965
Total capital assets being depreciated	$31,282,502	$ 1,074,295	$ -	$32,356,797
Less accumulated depreciation for:				
Buildings	3,001,437	756,544	-	3,757,981
Building Improvements	21,078	7,026	-	28,104
Land Improvements	174,241	114,145	-	288,386
Infrastructure	80,278	40,139	-	120,417
Total accumulated depreciation	$ 3,277,034	$ 917,854	$ -	$ 4,194,888
Total capital assets being depreciated, net	$28,005,468	$ 156,441	$ -	$28,161,909
Total capital assets, net	$51,528,642	$ 2,029,336	$ -	$53,557,978

The Research building, which has a carrying value of $6,553,280 at June 30, 2010 and accumulated depreciation of $482,530, is leased to the IALR for $10 per year per square foot occupied during the initial lease term of 5 years. The lease will automatically renew for up to two 5-year terms if both parties agree. The rent for the renewal is set forth in the lease agreement. Insurance and maintenance costs are the responsibility of the lessee.

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.

6. Construction in Progress

Construction in progress consisted of the following at June 30:

	June 30, 2009 Balance	Increase	Decrease	June 30, 2010 Balance
Cane Creek Centre	$ 989,731	$ 10,590	$ 1,000,321	$ -
Mega Park*	419,930	603,864	-	1,023,794
	$ 1,409,661	$ 614,454	$ 1,000,321	$ 1,023,794

** Current year additions include $30,223 of capitalized interest.*

7. Long-Term Debt

In August 2005, the Authority issued $7,300,000 in revenue bonds. The bonds bear interest at a variable rate, which averaged 0.37% in fiscal year 2010. Annual payments are made with funds received from the City of Danville and Pittsylvania County. In June 2008 the Authority extended the letter of credit agreement that supports the 2005 revenue bonds. The new letter of credit will expire in June 2011 with an option to extend it until June 2013. The new letter of credit fee is 0.78% per annum of the stated amount of the letter of credit, computed on the basis of a 360-day year and payable quarterly in advance.

The variable rates on the above bond issuance is set by remarketing agents to reflect the current yields of similar bonds in the marketplace. Future interest payments disclosed on the next page are calculated using the average rates for the current year.

Long-term debt activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Decrease	Ending Balance	Due within 1yr.
2005 revenue bonds	$ 6,715,000	$ 260,000	$ 6,455,000	$ 275,000

The City of Danville advanced $1,872,896 to the Authority for the year ended June 30, 2010, of which $1,001,466 was repaid during the year. This allowed the Authority to acquire land for the Mega Park and extends the total advanced to the Authority for this purpose to $10,457,372, including accrued interest. The outstanding portion of the advances from the City is shown as a current liability; however, the Authority intends to issue long-term bonds in fiscal year 2011 to repay the City's advances provided litigation discussed in Note 12 is resolved.

Debt Maturity Schedule
$7,300,000 Series 2005
Cane Creek Project Revenue Bonds

Year ending June 30,	Principal	Estimated Interest	Total
2011	$ 275,000	$ 193,650	$ 468,650
2012	285,000	185,400	470,400
2013	300,000	176,850	476,850
2014	315,000	167,850	482,850
2015	330,000	158,400	488,400
2016 – 2020	1,930,000	632,400	2,562,400
2021 – 2025	2,455,000	312,900	2,767,900
2026	565,000	16,950	581,950
	$ 6,455,000	$ 1,844,400	$ 8,299,400

8. Economic Development

In July 2009, the Authority purchased 504 acres at the Berry Hill Mega Park site for nearly $1.9 million. This was the final land acquisition needed for the creation of the 3,500+ acre Mega Park. The City of Danville advanced funding to the Authority for this purchase. The Authority will repay the City, including interest, once permanent financing is obtained for the project.

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, 2011 will be $13,100.

10. Long-Term Operating Lease

In October 2006 the Authority entered into agreements with Swedwood Danville, LLC that provide the Authority will lease 94 acres (valued at $989,205) to Swedwood for 120 months at a rate of $1 per year. Swedwood has the option to purchase the above-mentioned land for $1 at the end of the 120-month lease if it meets certain investment and employment criteria. In fiscal year 2008 Swedwood met its initial investment and employment criteria and the Authority recorded the transfer of land to Swedwood. If Swedwood chooses to expand its operations within the terms of the agreement, it also has the right to lease from the Authority certain parcels of land known as lots 7B and/or 7C, consisting of approximately 103 acres and 11 acres, respectively. Swedwood also has the right of first refusal to purchase a certain parcel of land from the Authority known as Lot 6 consisting of 68.8 acres.

11. Commitments/Subsequent Events

At June 30, 2010, the Authority had approximately $1.2 million in outstanding engineering and consulting contracts, of which $260,000 had not been expended.

In July 2010, the Authority was awarded a grant of approximately $2.3 million from the Economic Development Administration to develop certain properties at the Cane Creek Centre.

12. Litigation

The Authority is currently affected by litigation naming one of its member localities as a defendant. The litigation stems from that locality's actions and involvement with the Authority. As a result of this litigation, the Authority is currently unable to issue long-term debt as financial institutions are not willing to loan until the litigation is resolved since both member localities must be able to provide funding to cover any debt service requirements the Authority will have.

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 is in the process of constructing a Multi-Port Access Point (MSAP), at an approximate cost of $2 million that will benefit areas served by the Authority. Should the Authority ever be dissolved, the MSAP will be considered part of the County's investment in the Authority.

* * * * *

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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
Danville-Pittsylvania Regional Industrial Facility Authority
Danville, Virginia

We have audited the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2010 and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. **However, we identified certain deficiencies in internal control over financial reporting described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency in internal control over financial reporting. We consider the deficiencies identified as Items 07-2 and 10-1 to be significant deficiencies in internal control over financial reporting.** 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.

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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.**

We also noted certain additional matters that we reported to management of the Authority in a separate letter dated December 27, 2010.

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 27, 2010

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

07-2: Segregation of Duties (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. A lack of segregation of duties exists in several functions related to accounts payable and general ledger functions related to the preparation of bank reconciliations. Fully eliminating these control deficiencies may not be possible without additional personnel.

Recommendation:

Steps should be taken to eliminate the performance of conflicting duties where possible.

Management's Response:

Management will review this suggestion and consider possible remedies within existing personnel constraints.

10-1: Auditor's Adjustments (Significant Deficiency)

Condition:

We proposed two journal entries to the Authority to correct matters related to due from other governments and other receivables for amounts owed to the Authority at June 30.

Recommendation:

Management should take steps to ensure that all significant accounts are reconciled and properly adjusted.

Management's Response:

Management will ensure there are procedures in place to address this concern.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

COMMENTS ON INTERNAL CONTROL AND OTHER SUGGESTIONS FOR YOUR CONSIDERATION

June 30, 2010

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Capital Assets 6

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INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

To the Board of Directors
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, 2010, 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 our auditing procedures 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 purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. The significant deficiencies included in this report are appropriately designated.

Additionally, during our audit we became aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Our comments and suggestions regarding these matters are also included in the attached report. 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. It is our hope that these suggestions will be taken in the constructive light in which they are offered.

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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 of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Directors, management, and state and federal regulatory agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 27, 2010

PRIOR YEAR COMMENTS AND SUGGESTIONS

AUDITOR ADJUSTMENTS (Significant Deficiency in 2010)

As part of our audit, we posted a number of significant journal entries which we deemed material to the financial statements. In our judgment, under the new standards these entries represent a material weakness in the Authority's internal control over financial reporting. Adjustments which we considered material were posted to defer grant revenue, to correct accounts receivable for multiple unrecorded receivables at year end, to correct errors in accounts payable and retainage payable, to accrued interest and interest expense, and to land and liabilities. Our audit entries are disclosed in a separately required communication to the Board.

Under Statement on Auditing Standards No. 112, material audit adjustments are presumed to indicate a material weakness.

Status: *We noted two significant entries in fiscal year 2010 to record a grant receivable and an incentive receivable.*

SEGREGATION OF DUTIES (Material Weakness in 2009, Significant Deficiency in 2010)

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:

- The person who prepares the bank reconciliations has access to blank checks and performs most general ledger functions. A capable individual with no cash responsibilities should review bank reconciliations and adjustments to cash that result from the reconciliation. This review should be evidenced by the reviewer's initials and include the following procedures: 1) agree the balance per bank to the reconciliation; 2) agree the reconciled balance to the general ledger; 3) compare the reconciliation to the prior period for items outstanding for an extended period; 4) inspect checks for alterations and for unusual endorsements; and 5) review adjustments made to cash accounts during the bank reconciliation process. We further recommend that this individual (or another official without access to cash) should receive unopened bank statements and should review the statements and cancelled checks for any unusual items or obvious discrepancies prior to the preparation of the bank reconciliation. Although the Authority does have a dual signature requirement, it is our experience that signature requirements are not a reliable control since banks rarely detect forged signatures.
- Signed checks are returned to the individual responsible for check preparation for mailing. This can allow payments to be diverted.
- The individual with general ledger and bank reconciliation responsibilities has access to blank checks and occasionally prepares and mails checks. Ideally, this person would not have any involvement with cash disbursements.

PRIOR YEAR COMMENTS AND SUGGESTIONS
(Continued)

SEGREGATION OF DUTIES (Material Weakness in 2009, Significant Deficiency in 2010) (Continued)

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

Status: *The Authority has lessened this deficiency by moving the responsibility of preparing bank reconciliations to another individual without access to blank checks and with no other responsibilities related to the Authority, and by ensuring bank reconciliations are now being reviewed on a quarterly basis. Weaknesses that still exist include the following: (1) The same individual that prepares checks to be signed also is responsible for the mailing of the checks and (2) The individual who prepares the bank reconciliation has full access to the general ledger.*

CAPITAL ASSETS

The Authority has not adopted a formal capitalization policy for capital assets. We recommend the Authority adopt a policy that formalizes asset capitalization thresholds, estimated useful lives of assets, and depreciation conventions. Procedures should also be in place for monitoring asset disposals, including noncash transactions.

Status: *The Authority adopted a capitalization policy in FY 2010.*

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

We have audited the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2010. 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 June 16, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. As described in Note 2, management has accounted for economic incentive grants and agreements with "grantee" industries locating in the area as voluntary non-exchange transactions under Governmental Accounting Standards Board Statement No. 33. Under this method, the Authority reports the expenses associated with these incentives once a grantee has met the initial requirements in its performance agreement with the Authority and it appears unlikely that the grantee will fail to maintain these requirements throughout the specified performance period or unlikely that the resources granted would be recoverable. We have discussed the accounting for these transactions with management and believe the method selected is appropriate in this circumstance but accounting for transactions such as these involves significant judgment. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of capital assets, which is based on management's knowledge and judgment, which is based on history.
- 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.

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

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

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

- The disclosure of the Authority's various commitments and information regarding any significant activity that occurred after year end is considered useful to users of the statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following misstatements detected as a result of audit procedures were corrected by management:

- We adjusted due from other governments for approximately $107,000 due to an understatement of the year end balance for expenditures eligible for reimbursement. This adjustment also increased tobacco commission revenue.
- We adjusted other receivables for approximately $136,000 due to an understatement of the year end balance for funds being returned due to incentive requirements not being met by one company. This adjustment also increased return of incentive revenue.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 December 27, 2010. An example of those representations 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.

Significant Audit Findings (Continued)

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 27, 2010

MANAGEMENT'S REPRESENTATIONS

We are providing this letter in connection with your audit of the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority as of June 30, 2010 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Danville-Pittsylvania Regional Industrial Facility Authority and the changes in financial position and cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 27, 2010, the following representations made to you during your audit.

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

2) We have made available to you all—
   a) Financial records and related data.
   b) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

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

4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the financial statements.

7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

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

9) We have identified to you any previous financial audits, performance audits, or other studies related to the audit objectives and whether related recommendations have been implemented.

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

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

12) The following, if any, have been properly recorded or disclosed in the financial statements:
   a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
   b) Guarantees, whether written or oral, under which the Authority is contingently liable.
   c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.

13) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14) There are no—
   a) 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.
   b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles (Statement of Financial Accounting Standards No. 5).
   c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles (Statement of Financial Accounting Standards No. 5).
   d) Reservations or designation of fund equity that were not properly authorized and approved.

15) As part of your audit, you assisted with the preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

16) 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.

17) 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.

18) The financial statements properly classify all funds and activities.

19) Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.

20) Provisions for uncollectible receivables are not considered necessary due to the nature of the Authority's receivables.

21) Deposits and investment securities are properly classified as to risk, and investments are properly valued.

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

23) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

24) We have reviewed the proposed adjusting journal entries and understand the nature and impact these entries have on our financial statements.

25) 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, 2010. We are in agreement with the changes in the due to/from account based on the contributions by each locality in FY 2010.

26) We reaffirm the representations made to you on November 17, 2009 in regards to your audit for June 30, 2009.

27) No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

AGENDA
ITEM NUMBER 7

Resolution No. 2011-01-10-7

A RESOLUTION (I) AUTHORIZING AND/OR RATIFYING A PERFORMANCE AGREEMENT WITH THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP ("VEDP") UNDER WHICH VEDP WOULD AWARD TO THE AUTHORITY A $500,000 SITE EVALUATION AND PLANNING GRANT FROM THE MAJOR EMPLOYMENT AND INVESTMENT PROJECT SITE PLANNING GRANT FUND, FOR DESIGN ENGINEERING, SURVEYING, RIGHT-OF-WAY PROCUREMENT, SOIL ANALYSIS, AND SOIL EROSION CONTROL PROJECTS FOR THE BENEFIT OF THE AUTHORITY'S BERRY HILL REGIONAL MEGA PARK SITE; AND (II) AUTHORIZING AND/OR RATIFYING THE EXECUTION OF ALL NECESSARY DOCUMENTS PERTAINING THERETO.

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, VEDP has made available certain grant funds under a Major Employment and Investment Project Site Planning Grant Fund (the **"Program"**), pursuant to § 2.2-2240.2 of the Code of Virginia, 1950, as amended (the **"Code"**), to assist local regional political subdivisions of the Commonwealth with the critically important task of preparing sites (**"MEI Sites"**) in the Commonwealth for "MEI Projects" which are high-impact regional economic development projects in which a private entity is expected to make a capital investment in real and tangible personal property exceeding $250 million and create more than 400 new full-time jobs, and which are expected to have a substantial direct and indirect economic impact on surrounding communities; and

WHEREAS, the Authority desires (i) to apply for a grant under the Program in the amount of Five Hundred Thousand and 00/100 Dollars ($500,000.00) (the **"Grant"**) from the VEDP for the purpose of enabling the Authority to further evaluate and develop its proposed Berry Hill Mega Park MEI Site, for design engineering, surveying, right-of-way procurement, soil analysis, and soil erosion control projects (collectively, the **"Project"**), and (ii) in connection with the acceptance of the Grant, to enter into that certain Performance Agreement with VEDP (the **"Performance Agreement"**) attached hereto as Exhibit A and incorporated herein by this reference; and

WHEREAS, the Authority has determined that the applying for the Grant and entering into the Performance Agreement (i) is in furtherance of its purpose under § 15.2-6401 of the Code, to enhance the economic base of its member localities by developing, owning and operating one or more facilities on a cooperative basis involving its member localities; (ii) is pursuant its powers as enumerated in § 15.2-6405 of the Code, including without limitation the power to develop, construct, improve and maintain facilities, and to expend such funds as may be available to the Authority for the purpose of developing facilities, and to accept funds and property from the Commonwealth, persons, counties,

cities, and towns and use the same for any of the purposes of the Authority; and (iii) is in the best interests of the Authority and of the citizens of Pittsylvania County and the City of Danville for the Authority to complete the Project and to apply for the Grant from the VEDP.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority does hereby approve, direct, and ratify the submission to the VEDP of a completed application (the **"Application"**) and all other documents pertaining to the Grant or the acceptance thereof and the execution of the Performance Agreement and all other documents pertaining thereto, together with such amendments, deletions or additions thereto as may be made by the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager as staff members and agents of the Authority, and hereby authorizes the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager to execute and deliver the Application and all other documents pertaining to the Grant or the acceptance thereof and to the Performance Agreement and all other documents pertaining thereto, on behalf of the Authority, such execution of the Application, the Performance Agreement, and any other documents pertaining to the Grant by the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager to conclusively establish 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 in furtherance of the submission of the Application and acceptance of the Grant and the execution of the Performance Agreement, or as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions.

3. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager, and its other agents and representatives, in respect of the Application and the acceptance of the Grant and the execution of the Performance Agreement and other documents pertaining thereto.

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the Directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 10, 2011, 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 10th day of January 2011.

_____

Annette Y. Crane
Secretary, Danville-Pittsylvania Regional Industrial Facility Authority

(SEAL)

Exhibit A

MAJOR EMPLOYMENT AND INVESTMENT PROJECT SITE PLANNING GRANT PROGRAM

SITE EVALUATION AND PLANNING GRANT

PERFORMANCE AGREEMENT

This **PERFORMANCE AGREEMENT** made and entered this ____ day of December, 2010, by and between the **VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY** ("VEDP"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth") and the **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY** (the "Grantee"), a political subdivision of the Commonwealth.

WITNESSETH:

WHEREAS, Section 2.2-2240.2 of the Code of Virginia of 1950, as amended (the "Grant Legislation") established a Major Employment and Investment Project Site Planning Grant Fund (the "Fund") to be administered by VEDP;

WHEREAS, pursuant to the Grant Legislation, VEDP has established guidelines (the "Guidelines") for the awarding of grants (the "MEI Grants") from the Fund;

WHEREAS, VEDP will award MEI Grants and administer the Fund to assist local and regional political subdivisions of the Commonwealth with the critically important task of preparing sites ("MEI Sites") in the Commonwealth for "MEI Projects," which are high-impact regional economic development projects in which a private entity is expected to make a capital investment in real and tangible personal property exceeding $250 million and create more than 400 new full-time jobs, and which are expected to have a substantial direct and indirect economic impact on surrounding communities;

WHEREAS, under the Guidelines, an MEI Grant may be made as a Site Evaluation and Planning Grant, suitable for identifying and evaluating a potential MEI Site, or as a Site Improvement Grant, suitable for advancing a site toward client-ready status;

WHEREAS, the Grantee has submitted an application to VEDP requesting a Site Evaluation and Planning Grant from the Fund in the amount of $500,000 (the "Grant");

WHEREAS, the Governor of the Commonwealth has approved the awarding of the Grant to the Grantee for the purpose of enabling the Grantee to further evaluate and develop its proposed Berry Hill Mega Park MEI Site (the "Grantee Site");

WHEREAS, the animating purpose for making the Grant to the Grantee is the determination by the Virginia General Assembly that having MEI Sites ready for potential MEI Projects is critical to the future economic growth of the Commonwealth, and this purpose constitutes a valid public purpose for the expenditure of public funds; and

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

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

Section 1. <u>Definitions</u>.

For the purposes of this Agreement, the following terms shall have the following definitions:

"Grantee Investment" means a capital expenditure by the Grantee relating to the evaluation or development of the Grantee Site, as more particularly described in Section 3. Grantee Investments do not include the payment or reimbursement of local or regional governmental or economic development staff for their time or in the performance of work undertaken in the normal course of business. Further, Grantee Investments do not include any expenditures related to the acquisition of property or other means of obtaining site control.

"Grantee Investment Budget" means the listing of the expected categories of Grantee Investments set forth in Exhibit A, as it may be amended.

"Grantee Investment Schedule" means the listing of the expected timeline of Grantee Investments set forth in Exhibit B, as it may be amended.

"Performance Date" means December 31, 2011. If VEDP deems that good faith and reasonable efforts have been made and are being made by the Grantee to make Grantee Investments, VEDP may agree to extend the Performance Date to no later than December 31, 2012. If the Performance Date is extended, VEDP shall send written notice of the extension to the Grantee and the date to which the Performance Date has been extended shall be the "Performance Date" for the purposes of this Agreement.

"Report" means a written detailed verification reasonably satisfactory to VEDP of the Grantee's progress on making Grantee Investments and expending the Grant proceeds. In addition, each Report shall indicate whether the Grantee has discovered any serious flaws at the Grantee Site or any other impediments to the further development of

the Grantee Site as an MEI Site, such as the presence of excessive wetlands or endangered species. The cost of preparing any Report shall be borne by the Grantee.

Section 2. Disbursement of Grant; Reporting.

The Grant will be paid to the Grantee in full as soon as practicable after the execution and delivery of this Agreement.

It is not necessary that the Grantee segregate from its other funds the proceeds of the Grant. It is necessary that the Grantee maintain adequate records that will allow it to identify the Grant amount received, the Grant proceeds paid by the Grantee for Grantee Investments, and the remaining balance of Grant proceeds.

The Grantee shall provide a Report to VEDP semiannually, on each August 1 and February 1, commencing August 1, 2011, covering the period through the prior June 30 or December 31, as appropriate, and at such other times as VEDP may reasonably require.

Until expended on Grantee Investments or repaid to VEDP, the Grantee may invest the proceeds of the Grant in interest-bearing investments. The investment earnings will also be expended on Grantee Investments, but need not be repaid to VEDP, should any repayment be due from the Grantee.

Section 3. Grantee Investments.

In the application for the Grant submitted by the Grantee to VEDP and in other information submitted by the Grantee to VEDP, the Grantee has identified the Grantee Investments expected to be made with the proceeds of the Grant. Those Grantee Investments are detailed on the Grantee Investment Budget. Further, the Grantee has detailed on the Grantee Investment Schedule the expected timetable upon which those Grantee Investments are to be made.

As the Grantee makes or plans the Grantee Investments, it may become desirable to allocate the Grant proceeds among the items in the Grantee Investment Budget in a manner different from the allocation shown on Exhibit A, or to add new items to, or delete items from, the Grantee Investment Budget. Except for *de minimis* adjustments (which are adjustments impacting, in the aggregate, less than 5% of the Grant proceeds), adjustments to the Grantee Investment Budget will require the prior written approval of VEDP. Any *de minimis* adjustments will be reported to VEDP in the next Report. Any adjustments, whether pursuant to approval by VEDP or a *de minimis* adjustment, must be reflected in an amended Grantee Investment Budget.

Further, as the Grantee makes or plans the Grantee Investments, it may become desirable to expend the Grant proceeds on a timeline different from the Grantee Investment Schedule shown on Exhibit B. Expending the Grant proceeds more quickly than is shown on Exhibit B requires no prior approval from VEDP. If the Grantee wishes

to expend the Grant proceeds after December 31, 2011, a new Performance Date will need to be established, which will require the prior written approval of VEDP. Any adjustments must be reflected in an amended Grantee Investment Schedule.

The Grantee will expend the proceeds of the Grant only on Grantee Investments, as listed in the Grantee Investment Budget, and not later than the timeline set forth in the Grantee Investment Schedule, as such Budget and Schedule may be amended.

Section 4. <u>Grantee Site as MEI Site</u>.

(a) *General Provisions:* The Grantee commits to hold the Grantee Site available for an MEI Project through December 31, 2016 (the "Hold Date"). If the Grantee wishes to use the Grantee Site for other purposes before the Hold Date, the Grantee shall notify VEDP and cease the expenditure of Grant proceeds, except for Grantee Investments that have been incurred but not yet paid.

If the Grantee Site is not held for an MEI Project, and a non-MEI Project economic development project locates on the Grantee Site before the Hold Date, the Grantee may have an obligation to repay some or all of the Grant.

(b) *If a Project not in Grantee's Identified Targets Locates at Grantee Site*: If an economic development project locates on the Grantee Site before the Hold Date, does not demonstrate the characteristics of an MEI Project and is not in an industrial sector identified as a target industry by the Grantee in its application for the Grant, the Grantee must repay the entire Grant to VEDP. A list of the Grantee's identified target industries is included as Exhibit C.

(c) *If a Project Among the Identified Targets Locates at Grantee Site but Fails to Meet MEI Characteristics*: If an economic development project locates on the Grantee Site before the Hold Date and does not demonstrate the characteristics of an MEI Project, but is in an industrial sector identified as a target industry by the Grantee in its application for the Grant, the Grantee will be required to repay a prorated amount of the Grant to VEDP. The percentage of the Grant to be repaid shall be calculated as follows:

1 - (Total Announced New Jobs + Total Announced Capital Investment (in millions) / 650)

For example, if an economic development project that is among the Grantee's identified industrial targets locates on the Grantee Site before the Hold Date and demonstrates only 200 jobs and $125 million of capital investment, the Grantee would be required to repay:

1 - ([200 + 125] / 650) = 50% of the Grant awarded to it.

Section 5. Local Match.

Evidence previously provided by the Grantee to VEDP indicates that the Grantee has fulfilled the requirement to provide a contribution to the acquisition or development of the Grantee Site of at least 25% of the Grant proceeds.

Section 6. Repayment Obligation.

(a) *If Grant Proceeds are Misspent:* If a Report shows, or any evidence gathered by VEDP reveals, that any Grant proceeds have been expended on anything except Grantee Investments, the Grantee shall repay to VEDP the amount so misspent.

(b) *If Grantee Investments are Delayed*: The Grantee shall expend the proceeds of the Grant on Grantee Investments by the Performance Date. To the extent that such proceeds are not so spent, the unspent proceeds as of the Performance Date shall be repaid to VEDP, except for Grantee Investments that have been incurred but not yet paid.

(c) *If Adverse Conditions are Discovered*: If the Grantee has discovered any serious flaws at the Grantee Site or any other impediments to the further development of the Grantee Site as an MEI Site, the Grantee will cease further expenditure of the Grant proceeds, except for the payment of Grantee Investments that have been incurred but not yet paid. Any remaining Grant proceeds shall be repaid to VEDP.

(d) *If the Grantee Site is Not Held Available as an MEI Site*: If the Grantee has notified VEDP, or other evidence gathered by VEDP reveals, that the Grantee Site is not being held available as an MEI Site through the Hold Date, the Grantee will cease further expenditure of the Grant proceeds, except for the payment of expenses incurred but not yet paid. Any remaining Grant proceeds shall be repaid to VEDP. As to any Grant proceeds that have been or will be so expended, the Grantee will have an obligation to make a repayment to the extent provided in Section 4(b) or (c) above.

(e) *Repayments Subject to Appropriation*: Any repayments due to VEDP are subject to appropriation by the Grantee's governing body. Any failure by the Grantee to make a repayment will disqualify the Grantee from receiving further MEI Grants.

(f) *Repayments to Fund*: Any repayment received by VEDP will be redeposited to the Fund.

(g) *Repayment Date; Cure Period*: VEDP will provide written notification to the Grantee that a repayment is due from the Grantee to VEDP under this Agreement. Within 60 days of receiving such notification, the Grantee will make the repayment to VEDP, subject to appropriation and subject to the dispute resolution procedures set forth in Section 8(e).

Section 7. Notices.

Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail or overnight courier package not accepted by the addressee):

if to the Grantee, to:

Danville-Pittsylvania Regional Industrial Facility Authority
c/o City of Danville, Virginia
427 Patton Street
Post Office Box 3300
Danville, Virginia 24543-3300
Attention: Chair

with a copy to:

County of Pittsylvania, Virginia
21 North Main Street
Post Office Box 426
Attention: County Administrator

if to VEDP, to:

Virginia Economic Development Partnership
901 East Byrd Street, 19th Floor
Post Office Box 798 (zip: 23218-0798)
Richmond, Virginia 23219
Attention: President and CEO

with a copy to:

Virginia Economic Development Partnership
901 East Byrd Street, 19th Floor
Post Office Box 798 (zip: 23218-0798)
Richmond, Virginia 23219
Attention: General Counsel

Section 8. <u>Miscellaneous</u>.

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

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

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

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

(e) *Dispute Resolution*: In the event of any dispute, controversy or claim of any kind or nature arising under or in connection with this Agreement (including disputes as to the creation, validity, or interpretation of this Agreement) (a "Dispute"), then upon the written request of either party, each of the parties will appoint a designated senior official whose task it will be to meet for the purpose of endeavoring to resolve the Dispute. Such officials will discuss the Dispute and will negotiate in good faith in an effort to resolve the Dispute without the necessity of any formal proceeding relating thereto. The specific format for such discussions will be left to the discretion of the officials. No formal proceedings for the resolution of the Dispute may be commenced until the earlier to occur of (a) a good faith mutual conclusion by the officials that amicable resolution through continued negotiation of the matter in issue does not appear likely or (b) the 60th day after the initial request to negotiate the Dispute. If the resolution of the Dispute requires any party to take, to cause to be taken or to cease taking, some action, such party shall be provided a reasonable period of time, not to exceed sixty (60) days, to take, to cause, or to cease taking, such action.

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

VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP AUTHORITY

By _____

Name: Jeffrey M. Anderson
Title: President and Chief Executive Officer
Date: December __, 2010

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

By _____

Name: _____

Title: _____

Date: December __, 2010

Exhibit A: Grantee Investment Budget
Exhibit B: Grantee Investment Schedule
Exhibit C: Identified Target Industries

EXHIBIT A

GRANTEE INVESTMENT BUDGET

Project Activity	Expected to be Paid from Grant Proceeds
Mega Park to Westfork Design Engineering	$ 94,000
Mega Park to Westfork Surveying	116,000
Mega Park to Westfork ROW Procurement	64,000
Mega Park to Westfork Soil Analysis	26,000
Mega Park to Westfork Soil Erosion	17,000
Mega Park Along Pinnacles R/W Design Engineering	80,000
Mega Park Along Pinnacles R/W Surveying	67,000
Mega Park Along Pinnacles R/W Soil Analysis	22,000
Mega Park Along Pinnacles R/W Soil Erosion	14,000
Total	$500,000

EXHIBIT B

GRANTEE INVESTMENT SCHEDULE

Month	Expected Payment
January 2011	$_____
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	
December	
Total	$500,000

EXHIBIT C

IDENTIFIED TARGET INDUSTRIES

The primary targeted industries for Berry Hill Mega Park are:

A. Automotive
B. Semi-Conductor
C. Chemical
D. Steel

AGENDA
ITEM NUMBER 8

Resolution No. 2011-01-10-8

A RESOLUTION (I) AUTHORIZING AND/OR RATIFYING THE SUBMISSION OF A GRANT APPLICATION TO THE ECONOMIC DEVELOPMENT ADMINISTRATION OF THE U.S. DEPARTMENT OF COMMERCE TO PAY FOR CERTAIN SITE IMPROVEMENTS TO LOTS 3 AND 9, OWNED BY THE AUTHORITY, LOCATED IN THE CANE CREEK CENTRE; AND (II) AUTHORIZING AND/OR RATIFYING THE EXECUTION OF ALL NECESSARY DOCUMENTS PERTAINING THERETO.

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

WHEREAS, the Economic Development Administration of the U.S. Department of Commerce (the "EDA") has made available certain grant funds, pursuant to the Public Works and Economic Development Action of 1965, to support the development of successful economic regions and help move communities toward more effective regional collaboration in economic development (the "Program"); and

WHEREAS, the Authority desires to apply for a grant under the Program in the amount of Two Million Two Hundred Seventy Five Thousand Thirty and 00/100 Dollars ($2,275,030.00) (the "Grant") from the EDA for the Authority's site improvements to Lots 3 and 9 at Cane Creek Centre, Pittsylvania County, Virginia, including without limitation the construction for the separation of the combined storm and sanitary sewer system (collectively, the "Project"); and

WHEREAS, the Authority has determined that applying for the Grant (i) is in furtherance of its purpose under § 15.2-6401 of the Code of Virginia, 1950, as amended (the "Code"), to enhance the economic base of its member localities by developing, owning and operating one or more facilities on a cooperative basis involving its member localities; (ii) is pursuant its powers as enumerated in § 15.2-6405 of the Code, including without limitation the power to develop, construct, improve and maintain facilities, and to expend such funds as may be available to the Authority for the purpose of developing facilities, and to apply for an accept grants of money or other property from any federal agency for any of the Authority's purposes; and (iii) is in the best interests of the Authority and of the citizens of Pittsylvania County and the City of Danville for the Authority to complete the Project and to apply for the Grant from the EDA.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority does hereby approve, direct, and ratify the submission to the EDA of a completed application (the "Application") and all other documents pertaining to the Grant or the acceptance thereof, together with such amendments, deletions or additions thereto as may be made by the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville

City Manager as staff members and agents of the Authority, and hereby authorizes the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager to execute and deliver the Application and all other documents pertaining to the Grant or the acceptance thereof, on behalf of the Authority, such execution of the Application and any other documents pertaining to the Grant by the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager to conclusively establish 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 in furtherance of the submission of the Application and acceptance of the Grant, 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, the Chairman of the Authority, the Vice Chairman of the Authority, the Pittsylvania County Administrator, and/or the Danville City Manager, and its other agents and representatives, in respect of the Application and the acceptance of the Grant.

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the Directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 10, 2011, 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 10th day of January 2011.

_____

Annette Y. Crane
Secretary, Danville-Pittsylvania Regional Industrial Facility Authority

(SEAL)

AGENDA
ITEM NUMBER 9

Danville - Pittsylvania Regional Industrial Facility Authority

Financial Status

Table of Contents

A. $7.3 Million Bonds

B. General Expenditures for FY 2011

C. Mega Park

D. Cane Creek Centre – Lots 3 & 9

E. Yorktowne Reimbursement

F. Unaudited Financial Statements

Danville-Pittsylvania Regional Industrial Facility Authority

$7.3 million Bonds for Cane Creek Centre - Issued in August 2005

As of December 31, 2010

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
Funds from bond issuance	$ 7,300,000.00				
Issuance cost	(155,401.33)				
Bank fees	(98.25)				
Interest earned to date	485,308.24				
Cane Creek Parkway		$ 3,423,296.09	$ 3,342,961.25	$ 80,334.84	
Swedwood Drive [2]		69,414.00	69,414.00	-	
Cane Creek Centre entrance [3]		72,335.00	53,878.70	-	
Financial Advisory Services		7,600.00	7,600.00	-	
Dewberry contracts [1]		69,582.50	69,582.50	-	
Dewberry contracts not paid by 1.7 grant [4, 5]		71,461.00	4,992.00	66,469.00	
Yorktowne Sound Buffer		-	-	-	
Land			2,560,921.67	-	
Demolition services			33,761.62	-	
Legal fees			48,179.23	-	
Other expenditures			9,689.70	-	
Total	$ 7,629,808.66	$ 3,713,688.59	$ 6,200,980.67	$ 146,803.84	$ 1,282,024.15

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

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	$ 1,848,619.91
Bonds	3,423,296.09
	$ 5,271,916.00

Danville-Pittsylvania Regional Industrial Facility Authority

General Expenditures for Fiscal Year 2011

As of December 31, 2010

	Funding	Budget	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
City	$ 20,000.00				
County	20,000.00				
Carry forward from FY10	79,533.66				
Transfer in from Research Facility-Build Out budget [1]	37.16				
Contingency					
Bank Fees		$ -	$ 4,071.25	$ -	$ -
Total Contingency Budget		21,400.00	4,071.25	-	17,328.75
Legal [2]		60,570.82	45,397.24	-	15,173.58
Accounting		18,000.00	18,000.00	-	-
Postage & Shipping		100.00	-	-	100.00
Meals		2,500.00	996.35	-	1,503.65
Utilities		10,000.00	2,575.21	-	7,424.79
Insurance		7,000.00	119.00	-	6,881.00
Total	$ 119,570.82	$ 119,570.82	$ 71,159.05	$ -	**$ 48,411.77**

[1] This was the remaining balance on the Research Facility - Build Out project upon completion. This is a portion of the interest earned while the funds from the Danville Regional Foundation were invested in a money market account. Per the Danville Regional Foundation, this belongs to RIFA. The RIFA Board approved to transfer this to the General Expenditures budget at its October 12, 2010 meeting.

[2] The Board approved at its December 13, 2010 meeting to increase the legal budget using $14,570.82 of available funding and transferring $6,000 from the Contingency budget.

Danville-Pittsylvania Regional Industrial Facility Authority

Mega Park

As of December 31, 2010

	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]	10,340,983.83				
Tobacco Commission FY09 SSED Allocation	3,370,726.00				
Tobacco Commission FY10 SSED Allocation - Engineering Portion	407,725.00				
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	921,382.79	69,467.21	
Consulting Services - McCallum Sweeney		115,000.00	80,343.52	34,656.48	
Total	$ 14,388,399.83	$ 14,231,524.83	$ 14,127,401.14	$ 104,123.69	$ 156,875.00

[1] *This figure does not include the interest the City is losing from the uninvested funds.*

[2] *Settlement fees have been charged to general expenditures until a funding source is available*

[3] *This contract was originally for $814,500, but has been amended to include a traffic impact analysis, and a cemetery survey. $740,000 will be covered by the FY09 Tobacco Allocation and $250,850 will be covered by the FY10 Tobacco Allocation.*

Danville-Pittsylvania Regional Industrial Facility Authority

Cane Creek Centre - Lots 3 & 9

As of December 31, 2010

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
EDA Grant Investment	$ 2,275,030.00				
Tobacco Commission FY10 Reserve Fund Allocation	426,568.00				
Local Match - RIFA [1]	142,190.00				
Expenditures					
Dewberry & Davis		$ 111,600.00	$ 3,060.00	$ 108,540.00	
Total	$ 2,843,788.00	$ 111,600.00	$ 3,060.00	$ 108,540.00	**$ 2,732,188.00**

[1] *Pending approval from RIFA Board*

Danville-Pittsylvania Regional Industrial Facility Authority

Yorktowne Reimbursement

As of December 31, 2010

Yorktowne Reimbursement*	$ 181,339.68

*The City and County both contributed $525,000 to RIFA in July of 2005 for Yorktowne Incentives. Because Yorktowne did not meet the job requirements set forth in the Performance Agreement, they are having to repay incentive money to account for the jobs not created. According to the revised Performance Agreement, we received one payment from Yorktowne in the amount of $45,334.92 in November 2009. We received another payment of $136,004.76 in November 2010.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Assets [1, 2]
December 31, 2010

	Unaudited FY 2011
Assets	
Current assets	
Cash - checking	$ 302,277
Cash - money market	489,176
Total current assets	791,453
Noncurrent assets	
Restricted cash - project fund	1,224,685
Restricted cash - debt service fund	947,610
Capital assets not being depreciated	24,773,944
Capital assets being depreciated, net	28,161,909
Construction in progress	1,023,794
Unamortized bond issue costs	116,551
Total noncurrent assets	56,248,493
Total assets	57,039,946
Liabilities	
Current liabilities	
Due to City of Danville	10,457,372
Bonds payable - current portion	275,000
Total current liabilities	10,732,372
Noncurrent liabilities	
Bonds payable - less current portion	6,180,000
Total noncurrent liabilities	6,180,000
Total liabilities	16,912,372
Net Assets	
Invested in capital assets - net of related debt	39,219,570
Unrestricted	908,004
Total net assets	$ 40,127,574

[1] Please note that 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 that this balance sheet does not include 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.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues and Expenses and Changes in Fund Net Assets
December 31, 2010

	Unaudited FY 2011
Operating revenues	
Rental income	1,500
Total operating revenues	1,500
Operating expenses [4]	
Mega Park expenses [3]	86,367
Cane Creek Centre expenses [3, 5]	43,334
Economic development - Cane Creek Centre	622,126
Professional fees	38,473
Insurance	6,065
Other operating expenses	4,234
Total operating expenses	800,599
Operating loss	(799,099)
Non-operating revenues (expenses)	
Interest income	1,758
Interest expense	(9,350)
Total non-operating expenses, net	(7,592)
Net loss before capital contributions	(806,691)
Capital contributions	
Contribution - City of Danville	283,058
Contribution - Pittsylvania County	283,058
Total capital contributions	566,116
Change in net assets	(240,575)
***Net assets at July 1,**	40,368,149
Net assets at December 31,	$ 40,127,574

*Please note that this may change depending on whether there are audit adjustments for fiscal year ending June 30, 2010 and the nature of those audit adjustments.

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

[4] Please note that non-cash items, such as depreciation and amortization, are not included here until year-end entries are made.

[5] Please note that this line item includes $37,352 for fees related to the $7.3M bonds for Cane Creek.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
December 31, 2010

		Unaudited FY 2011
Operating activities		
Receipts from grant reimbursement requests	$	254,814
Receipts from incentive repayment		136,005
Receipts from leases		5,800
Payments to suppliers for goods and services		(194,495)
Net cash provided by operating activities		202,124
Capital and related financing activities		
Capital contributions		566,116
Interest paid on bonds		(11,473)
Net cash provided by capital and related financing activities		554,643
Investing activities		
Interest received		1,758
Net cash provided by investing activities		1,758
Net increase in cash and cash equivalents		758,525
Cash and cash equivalents - beginning of year (including restricted cash)		2,205,223
Cash and cash equivalents - through December 31, 2010 (including restricted cash)	$	2,963,748
Reconciliation of operating loss before capital contributions to net cash provided by operating activities:		
Operating loss	$	(799,099)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Non-cash economic incentive expenses		622,126
Changes in assets and liabilities:		
Change in prepaids		10,470
Change in due from other governments		254,814
Change in other receivables		140,305
Change in accounts payable		(26,492)
Net cash provided by operating activities	$	202,124

Components of cash and cash equivalents at December 31, 2010:		
American National - Checking	$	302,277
American National - General money market		489,176
Wachovia - $7.3M Bonds CCC Debt service fund		947,610
Wachovia - $7.3M Bonds CCC Project fund		1,224,685
	$	2,963,748