

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

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

## **AGENDA**

**Monday, January 14, 2013**

**12:00 Noon**

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

### **County of Pittsylvania Members**

**Coy E. Harville, Vice Chair  
James H. Snead  
Jessie L. Barksdale, Alternate**

### **City of Danville Members**

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

### **Staff**

**Joseph C. King, City Manager, Danville  
William D. Sleeper, Pittsylvania County Administrator  
Clement & Wheatley, Legal Counsel to Authority  
Susan M. DeMasi, Authority Secretary  
Barbara A. Dameron, Authority Treasurer**

## Danville-Pittsylvania Regional Industrial Facility Authority

### 1. MEETING CALLED TO ORDER

### 2. ROLL CALL

### 3. PUBLIC COMMENT PERIOD

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

### 4. APPROVAL OF MINUTES OF THE DECEMBER 10, 2012 MEETING

### 5. ELECTION OF OFFICERS FOR 2013 CALENDAR YEAR TERM

With the Authority's adoption of Resolution No. 2012-12-10-5A, the term of office for the Authority's officers shall be on a calendar year basis. – Michael C. Guanzon, Esq., Clement & Wheatley

#### Nominees

- A. Chairman – Sherman M. Saunders
- B. Vice Chairman – Coy E. Harville
- C. Secretary – Susan M. DeMasi
- D. Treasurer – Barbara A. Dameron

### 6. NEW BUSINESS

- A. Consideration of Resolution No. 2013-01-14-6A, approving a one-year renewal of the Lease with Mountain View Farms of Virginia, L.C., a Virginia limited liability company, as tenant, for that certain real property (GPIN 1356-75-8216) of the Authority, containing approximately 30 acres and fronting on Stateline Bridge Road, in the Authority's Mega Park site, in Pittsylvania County, Virginia, for the purpose of planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, at a total rental fee of \$1,200.00. - Coy E. Harville, Authority Vice Chairman

## Danville-Pittsylvania Regional Industrial Facility Authority

- B. Consideration of Resolution No. 2013-01-14-6B, amending paragraph 2 of Article V (“Board of Directors”) of the Bylaws of the Authority by deleting “... and no director or alternative director may serve more than one (1) additional term” – Mr. Guanzon [*Due to notice requirements under Article XIV (“Amendments”) of the Authority’s bylaws, action on this agenda item will be tabled until the February 11, 2013 meeting.*]
- C. Consideration of Resolution No. 2013-01-14-6C, approving the renewal of the Authority’s insurance coverage with VML Insurance Programs, administered by Virginia Municipal League, Policy No. VMLP-0628-1 – Barbara A. Dameron, CPA, Authority Treasurer, and Patricia K. Conner, CPA, City of Danville Senior Accountant
- D. Consideration of Resolution No. 2013-01-14-6D, approving the transfer of \$11,854.39 from the “Funds Available for Appropriation” budget sheet to the “Mega Park – Funding Other than Bond Funds” budget sheet to cover certain Phase I expenses of the Authority’s Mega Park project, in light of the expiration of a grant from the Tobacco Indemnification and Community Revitalization Commission – Ms. Dameron and Ms. Conner [*No written resolution.*]
- E. Audited Financial Report and Audit Letters from Brown, Edwards & Company, LLP – Susan Chapman, Auditor, Brown Edwards & Company, LLP
- F. Financial Report as of December 31, 2012 – Ms. Dameron and Ms. Conner

### 7. **CLOSED SESSION**

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

- A. As permitted by Section 2.2-3711(A)(7) of the Code of Virginia, 1950, as amended, for consultation with the Authority’s legal counsel, Clement & Wheatley, and briefings by the Authority staff or consultants on *Danville-Pittsylvania Regional Industrial Facility Authority v. AVRC, Inc.*, Case No. CL12000634-00, in the Circuit Court for the City of Danville, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority.
- B. Confirmation of Motion and Vote to Reconvene in Open Meeting

## Danville-Pittsylvania Regional Industrial Facility Authority

C. Motion to Certify Closed Meeting

8. **COMMUNICATIONS FROM:**

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

9. **ADJOURN**

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

---

|                         |                                   |
|-------------------------|-----------------------------------|
| <b>Agenda Item No.:</b> | 4                                 |
| <b>Meeting Date:</b>    | 01/14/2013                        |
| <b>Subject:</b>         | Meeting Minutes                   |
| <b>From:</b>            | Susan DeMasi, Authority Secretary |

---

---

### **SUMMARY**

Attached for the board's approval are the meeting minutes from the Monday, December 10, 2012 meeting.

### **ATTACHMENTS**

Meeting Minutes – 12/10/2012

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 10, 2012

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

City/County staff members attending were: City Manager Joe King, County Administrator Dan Sleeper, Danville Finance Director/Authority Treasurer Barbara Dameron, Pittsylvania County Director of Economic Development Ken Bowman, Assistant County Administrator for Planning & Development Gregory Sides, City of Danville Project Manager Corrie Teague, City of Danville Senior Accountant Patricia Conner, Clement and Wheatley Attorney Michael Guanzon and Secretary to the Authority Susan DeMasi.

Vice Chairman Harville called the Meeting to order.

**PUBLIC COMMENT PERIOD**

No one desired to be heard.

**APPROVAL OF MINUTES OF THE NOVEMBER 12, 2012 MEETING**

Upon **Motion** by Mr. Shanks and **second** by Mr. Snead, Minutes of the November 12, 2012 meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

Mr. Harville **moved** to add an additional item to the Agenda, under Closed Session, as *permitted under Section 2.2-3711(A)(7) Code of Virginia for consultation with the Authority's legal counsel, Clement & Wheatley and briefings by the Authority staff or consultants, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority.*

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

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

**NEW BUSINESS**

**5A. CONSIDERATION – RESOLUTION NO. 2012-12-10-5A – REVISING AMENDED AND RESTATED BY-LAWS OF THE AUTHORITY**

Authority Attorney Michael Guanzon explained that the Virginia Code requires that a term of office start in January and the Authority has been doing it in July to coincide with the fiscal year. The revisions also include some corrections for typographical errors. Mr. Guanzon also brought to the Board's attention a proposed revision regarding term limits for RIFA members. Currently in the by-laws, members can serve one term and one extension and after that are no longer able to serve. The respective member boards, the City Council and

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 10, 2012

Board of Supervisors, appoints members to serve on RIFA and there are no citizen members. The issue is to not have a requirement that limits members to only two terms totaling eight years. The City has a 12 year limit for serving on boards. Mr. Guanzon questioned if the Authority wants to have anything that is more stringent than what the member locality decides. In reviewing member's service, Mr. Guanzon noted that the Chairman will have served two terms and his current term will expire next year in September and Mr. Harville's term will end in 2016. Mr. Guanzon also noted there is an item in the by-laws that says if you are no longer serving on the Board of Supervisors or City Council, you automatically are disqualified from continuing to serve on RIFA. Mr. Guanzon further explained that if the City wanted to reappoint someone for a third term, the RIFA bylaws would prevent them from doing so.

Mr. Guanzon noted this part of suggested revisions is for information purposes only as the by-laws state, advance notice must be given to make specific revisions. Mr. Guanzon suggested, if it suits the board, to approve the other revisions and the respective member localities can discuss among themselves how they want to handle the term limit question.

Mr. Snead **moved** adoption of *Resolution 2012-12-10-5A, revising the Amended and Restated Bylaws of the Authority adopted August 13, 2007, and last revised March 12, 2012, (i) to provide that the term of office for officers shall be for a calendar year, instead of a fiscal year; (ii) to make clarifications on open meetings; and (iii) to make some grammatical corrections.*

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

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

**5B. FINANCIAL REPORT AS OF NOVEMBER 30, 2012**

Authority Treasurer Barbara Dameron noted for Cane Creek Bonds there was \$27.00 added in interest. The majority of the general expenses for the month were \$7,911.00 in legal fees, accounting of \$8,000 to update the billings on the audit work and \$23 for a utility bill. Page 28 reflects the CBN grant that was approved at the last meeting and on page 29, \$2,933 received from IALR in rent. Under the unaudited financial statements, excess funds in the checking account were transferred to the Money Market account to earn more interest. It also reflects the Tobacco Commission reimbursement for the debt service on the Mega Park Bonds and also that RIFA has reimbursed the City and County.

Mr. Shanks **moved** to approve the Financial Report as of November 30, 2012. The Motion was **seconded** by Mr. Snead and approved by the following vote:

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

December 10, 2012

**6A. - CLOSED SESSION**

Vice Chairman Harville noted that during closed session all matters discussed will involve receiving advice from legal counsel, and as such all communications during the closed session shall be considered attorney-client privileged.

At 12:33 p.m., Mr. Shanks **moved** that the Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority be recessed in a Closed Meeting as permitted by Section 2.2-3711(A)(7) of the Code of Virginia, 1950, as amended, for consultation with the Authority's legal counsel, Clement & Wheatley, and briefings by the Authority staff or consultants on *Danville-Pittsylvania Regional Industrial Facility Authority v. AVRC, Inc.*, Case No. CL 12000634-00, in the Circuit Court for the City of Danville, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority; and for the added item - under Section 2.2-3711(A)(7) Code of Virginia for consultation with the Authority's legal counsel, Clement & Wheatley and briefings by the Authority staff or consultants, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the Authority.

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

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

Upon **Motion** by Mr. Snead and **second** by Mr. Shanks, and by unanimous vote at 1:00 p.m., the Authority returned to open meeting.

Mr. Vogler **moved** adoption of the following Resolution:

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

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

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

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

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY  
Minutes  
December 10, 2012

**COMMUNICATIONS**

Members and Staff wished everyone a Merry Christmas.

MEETING ADJOURNED AT 1:03 P.M.

---

Chairman

---

Secretary to the Authority

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

---

|                         |  |
|-------------------------|--|
| <b>Agenda Item No.:</b> | 6-A  |
| <b>Meeting Date:</b>    | 01/14/2013                                       |
| <b>Subject:</b>         | Lease with Mountain View Farms of Virginia, L.C. |
| <b>From:</b>            | Michael C. Guanzon, Esq., Clement & Wheatley     |

---

---

### **SUMMARY**

Attached for the board's review and approval is a resolution to approve a one-year renewal of the lease with Mountain View Farms of Virginia, L.C.

### **ATTACHMENTS**

Resolution No. 2013-01-14-6A

**Resolution No. 2013-01-14-6A**

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

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

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

**WHEREAS**, Mountain View desires to renew the Current Lease, which otherwise expired December 31, 2012, for an additional one (1) year term; and

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

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

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

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

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

**Resolution No. 2013-01-14-6A**

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

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

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

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

**Resolution No. 2013-01-14-6A**

**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 14, 2013, 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 14th day of January 2013.

---

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

(SEAL)

**Resolution No. 2013-01-14-6A**

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

**THIS LEASE RENEWAL AGREEMENT** (this "**Lease Renewal**") is made as of the 1st day of January 2013, by and between **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia ("**Landlord**"); and **MOUNTAIN VIEW FARMS OF VIRGINIA, L.C.**, a Virginia limited liability company ("**Tenant**").

**WITNESSETH :**

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

Section 1 – Recitals.

a. Landlord and Tenant entered into that certain Lease Agreement, dated as of January 15, 2012 (the "**Lease**") for lease of the Property for the period from January 15, 2012 and ending on December 31, 2012 (the "**Original Term**").

b. Landlord and Tenant desire to enter into this Lease Renewal to extend the term of the Lease and to amend the Base Rent.

Section 2 – Renewal Term. Following the end of the Original Term, the term of the Lease shall continue for a term beginning on January 1, 2013 and ending on December 31, 2013 (the "**Renewal Term**"), unless sooner terminated as provided in the Lease.

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

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

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

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

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

**Landlord:**

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

EXHIBIT ONLY – DO NOT SIGN  
By: \_\_\_\_\_  
Sherman M. Saunders, Chairman

**Tenant:**

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

EXHIBIT ONLY – DO NOT SIGN  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

---

|                         |  |
|-------------------------|--|
| <b>Agenda Item No.:</b> | 6-B  |
| <b>Meeting Date:</b>    | 01/14/2013                                   |
| <b>Subject:</b>         | Bylaws Amendment                             |
| <b>From:</b>            | Michael C. Guanzon, Esq., Clement & Wheatley |

---

---

### **SUMMARY**

Attached for the board's review is a resolution amending the Bylaws of the Authority concerning the term limits of directors.

Please note that due to notice requirements under Article XIV ("Amendments") of the Authority's bylaws, action on this agenda item will be tabled until the February 11, 2013 meeting.

### **ATTACHMENTS**

Resolution No. 2013-01-14-6B

**Resolution No. 2013-01-14-6B**

**A RESOLUTION AMENDING PARAGRAPH 2 OF ARTICLE V (“BOARD OF DIRECTORS”) OF THE BYLAWS OF THE AUTHORITY BY DELETING “... AND NO DIRECTOR OR ALTERNATIVE DIRECTOR MAY SERVE MORE THAN ONE (1) ADDITIONAL TERM”**

**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**, Article XIV ("Amendments") of the Amended and Restated Bylaws of the Authority Adopted August 13, 2007, and last revised December 10, 2012 (the "Bylaws") provides that the Bylaws "may be amended, repealed, or altered, in whole or in part, by a majority vote of the Board, at any regular meeting of the Board ... , [with] at least one (1) week advance written notice of such proposed amendment, repeal or alteration shall be given the directors and alternate directors"; and

**WHEREAS**, the Board believes it is in the best interests of the Authority and for efficient operation of the Authority (i) to allow more discretion to the Member Localities when appointing the Directors and Alternate Directors to the Authority's Board of Directors; and (ii) to remove term limits under the Bylaws; and

**WHEREAS**, at least one (1) week advance written notice of such proposed amendments to the Bylaws was given to the Directors of the Board.

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

1. The Authority hereby amends paragraph 2 of Article V (“Board of Directors”) of the Bylaws by deleting “... and no director or alternative director may serve more than one (1) additional term”.
2. Except as amended by this Resolution, the Bylaws shall remain unchanged.
3. 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 February 11, 2013, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

**WITNESS** my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this \_\_\_\_\_ day of February 2013.

---

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

(SEAL)

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

---

|                         |   |
|-------------------------|---|
| <b>Agenda Item No.:</b> | 6-C                                     |
| <b>Meeting Date:</b>    | 01/14/2013                              |
| <b>Subject:</b>         | VML Insurance Renewal for 2013-2014     |
| <b>From:</b>            | Barbara A. Dameron, Authority Treasurer |

---

---

### **SUMMARY**

Virginia Municipal League Insurance Programs (VML) currently insures RIFA. The renewal process for the 2013-2014 period will begin soon. Attached is the 2012-2013 invoice report detailing the types of coverage currently in place and the limits, deductibles, and current premiums for this coverage. These rates are subject to fluctuate for the upcoming 2013-2014 period depending on appraisals and other items completed during the renewal process. However, the rates should remain comparable as there have not been significant changes to RIFA's property schedule or risk exposure.

### **RECOMMENDATION**

Staff believes this policy adequately insures RIFA and recommends the RIFA Board approve renewing RIFA's insurance coverage with VML for the 2013-2014 period.

### **ATTACHMENTS**

1. VML Invoice Report for 2012-2013 Period
2. Resolution No. 2013-01-14-6C



P.O. Box 3239, Glen Allen, VA 23058

1-800-963-6800 (Phone); 1-804-968-4662 (Fax); www.vmlins.org

### INVOICE REPORT

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

**Policy Period:** 07/01/2012 to 07/01/2013      **Policy Number:** P-2012-2013-VMLP-0628-1

| Coverage   | Limits                     | Deductibles | Premium        |
|--|----------------------------|-------------|----------------|
| <b>Local Government Liability Coverage</b>                             |                            |             |                |
| Local Government Liability Coverage                                    | \$1,000,000 Per Occurrence | \$0         | \$1,052        |
| Land Use   | \$100,000                  | \$0         |                |
| Defense of Certain Excluded Occurrences                                | \$100,000                  | \$0         |                |
| Medical Payments   | \$10,000 Any One Person    | \$0         |                |
| Damages to Premises Rented to You                                      | \$1,000,000 Any One Fire   | \$0         |                |
| <b>Automobile Coverages</b>  |                            |             |                |
| Non-Owned & Hired Auto   | \$1,000,000 Limit Per Occ. | \$0         | \$85           |
| <b>Excess Liability Coverage</b>                                       |                            |             |                |
| General Liability Excess Coverage                                      | \$1,000,000 Per Occurrence |             | \$135          |
| Public Officials / School Board Legal Liability / Employment Practices |                            |             |                |
| <b>Property Coverages</b>  |                            |             |                |
| Blanket Buildings, Contents, PIO                                       | \$5,826,465                | \$5,000     | \$3,369        |
| Earthquake   | \$1,000,000                | \$25,000    |                |
| Rental Reimbursement   | \$200,000                  | \$5,000     |                |
| <b>Miscellaneous Items Coverages</b>                                   |                            |             |                |
| Refer to Schedule  |                            |             | \$126          |
| <b>Boiler &amp; Machinery Coverage</b>                                 |                            |             |                |
| Property Damage Limit  | \$350,000 Per Accident     | \$1,000     | \$423          |
| CFC Refrigerant Coverage   | \$100,000                  |             |                |
| Expediting Expenses  | \$100,000                  |             |                |
| Hazardous Substances   | \$100,000                  |             |                |
| Perishable Goods   | \$100,000                  |             |                |
| Consequential & Ammonia  | \$100,000                  |             |                |
| Demolition & ICC   | \$250,000                  |             |                |
| Newly Acquired Location (120 days)                                     | \$250,000                  |             |                |
| Computer Coverage  | \$100,000                  |             |                |
| Water Damage   | \$100,000                  |             |                |
| Deductible Endorsement   | See Endorsement            |             |                |
| <b>Crime Coverage</b>  |                            |             |                |
| Form O, Public Employees Dishonesty Coverage                           | \$50,000                   | \$250       | \$266          |
| Form   |                            |             |                |
| <b>Schedule Credit/Debit: (Included in Above Premiums)</b>             |                            |             | \$274          |
| <b>Total Premium:</b>  |                            |             | <b>\$5,454</b> |

**Resolution No. 2013-01-14-6C**

**A RESOLUTION APPROVING THE RENEWAL OF THE AUTHORITY'S INSURANCE COVERAGE WITH VML INSURANCE PROGRAMS, ADMINISTERED BY VIRGINIA MUNICIPAL LEAGUE, POLICY NO. VMLP-0628-1**

**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**, at its February 13, 2012, meeting, the Authority authorized the renewal of the Member Agreement; 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 insurance coverage amounts at least equal to those for 2012, (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.

3. The Authority hereby authorizes and directs staff and other agents and representatives working on behalf of the Authority to take such actions and to do all such things 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.

4. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, 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.

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

#### **CERTIFICATE**

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the Directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 14, 2013, 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 14th day of January 2013.

(SEAL)

---

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

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

|                         |   |
|-------------------------|---|
| <b>Agenda Item No.:</b> | 6-D                                     |
| <b>Meeting Date:</b>    | 01/14/2013                              |
| <b>Subject:</b>         | Berry Hill Mega Park Funding            |
| <b>From:</b>            | Barbara A. Dameron, Authority Treasurer |

---

### **SUMMARY**

The funding sheet titled *Mega Park – Funding Other than Bond Funds* shows a deficit of \$11,854.39 as of December 31, 2012 as shown in the attachment and in the December Financial Status Report.

This deficit was created when the Tobacco Commission grant covering the Dewberry & Davis contract for Phase I of the Mega Park project expired before the contract was completed. The deficit is due to funds encumbered and not yet spent for this contract. Therefore, RIFA needs to transfer other funds in to cover this item.

### **RECOMMENDATION**

Staff recommends the RIFA Board approve transferring \$11,854.39 from the *Funds Available for Appropriation* budget sheet to the *Mega Park – Funding Other than Bond Funds* budget sheet.

### **ATTACHMENTS**

Funding Sheet “Mega Park – Funding Other than Bond Funds” as of 12/31/2012

Note – no written resolution was submitted for this item

**Danville-Pittsylvania Regional Industrial Facility Authority**

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

As of December 31, 2012

| <u>Funding</u>  | <u>Funding</u>          | <u>Budget / Contract</u><br><u>Amount</u> | <u>Expenditures</u>     | <u>Encumbered</u>   | <u>Unexpended /</u><br><u>Unencumbered</u> |
|---|-------------------------|---|-------------------------|---------------------|--|
| <b>Funding</b>  |                         |   |                         |                     |  |
| City contribution   | \$ 134,482.50           |   |                         |                     |  |
| County contribution   | 134,482.50              |   |                         |                     |  |
| City advance for Klutz, Canter, & Shoffner property <sup>1,4</sup>          | 10,340,983.83           |   |                         |                     |  |
| Tobacco Commission FY09 SSED Allocation                                     | 3,370,726.00            |   |                         |                     |  |
| Tobacco Commission FY10 SSED Allocation - Engineering Portion               | 407,725.00              |   |                         |                     |  |
| Tobacco Commission FY10 SSED Allocation - Eng. Portion Deobligated          | (244,797.00)            |   |                         |                     |  |
| Local Match for TIC FY10 SSED Allocation - Engineering Portion <sup>5</sup> | 76,067.61               |   |                         |                     |  |
| <b>Land</b>   |                         |   |                         |                     |  |
| Klutz property  |                         | \$ 8,394,553.50                           | \$ 8,394,553.50         | \$ -                |  |
| Canter property <sup>2</sup>  |                         | 1,200,000.00                              | 1,200,000.00            | -                   |  |
| Adams property  |                         | 37,308.00                                 | 37,308.00               | -                   |  |
| Carter property   |                         | 5,843.00                                  | 5,843.00                | -                   |  |
| Jane Hairston property  |                         | 1,384,961.08                              | 1,384,961.08            | -                   |  |
| Bill Hairston property  |                         | 201,148.00                                | 201,148.00              | -                   |  |
| Shoffner Property   |                         | 1,872,896.25                              | 1,872,896.25            | -                   |  |
| <b>Other</b>  |                         |   |                         |                     |  |
| Dewberry & Davis  |                         | 28,965.00                                 | 28,965.00               | -                   |  |
| Dewberry & Davis <sup>3</sup>   |                         | 990,850.00                                | 972,754.29              | 18,095.71           |  |
| Consulting Services - McCallum Sweeney                                      |                         | 115,000.00                                | 92,130.18               | 22,869.82           |  |
| <b>Total</b>  | <b>\$ 14,219,670.44</b> | <b>\$ 14,231,524.83</b>                   | <b>\$ 14,190,559.30</b> | <b>\$ 40,965.53</b> | <b>\$ (11,854.39)</b>                      |

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

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

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

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

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

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

|                         |   |
|-------------------------|---|
| <b>Agenda Item No.:</b> | 6-E   |
| <b>Meeting Date:</b>    | 01/14/2013  |
| <b>Subject:</b>         | FY2012 Audited Financial Report and Audit Letters |
| <b>From:</b>            | Barbara A. Dameron, Authority Treasurer           |

---

### SUMMARY

Included in the agenda packet is the audited *Financial Report* for fiscal year ending June 30, 2012, as well as the *Comments on Internal Control and Other Suggestions for Your Consideration* and the *Required Communications with Those Charged with Governance* letters for fiscal year 2012 from Brown, Edwards & Company, LLP, the independent auditors for RIFA. Susan Chapman of Brown, Edwards & Company, LLP will attend the meeting on January 14, 2013 to discuss the audit and answer any questions regarding the audit.

The letter titled *Required Communications with Those Charged with Governance* lists one audit adjustment. This adjustment was made to record additional accrued and capitalized interest related to the Berry Hill Mega Park project. Staff clearly understands the nature of these transactions and adjustments of this nature should not be likely in future years.

The letter titled *Comments on Internal Control and Other Suggestions for Your Consideration* does not have any current year comments. The lack of segregation of duties comment noted in the past is no longer considered a significant deficiency since RIFA has appropriate controls in place to mitigate the risk associated with areas not ideally segregated. Staff will continue seeking opportunities to strengthen the segregation of duties. The letter also provides an update to the prior year comment on the value of RIFA-owned land. RIFA maintains land values at cost in its accounting records, which is typical. However, the auditors recommended in last year's letter that RIFA consider undertaking a formal evaluation that provides independent evidence of the land value. RIFA staff contacted independent appraisers in fiscal year 2012 to discuss properties and consider conducting formal land appraisals. However, staff concluded the estimated charges for the appraisal services were too significant in relation to RIFA's budget and were not a prudent use of funds at this time. Another update to the prior year land value comment is that RIFA staff has now incorporated into the fiscal year-end process a reconciliation of the acreage in each park per the accounting records to tax records and other underlying records.

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

## **RECOMMENDATION**

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

## **ATTACHMENTS**

1. Audited Financial Report for fiscal year ending June 30, 2012
2. Audit Letter - Comments on Internal Control and Other Suggestions for Your Consideration
3. Audit Letter - Required Communications with Those Charged with Governance

**DANVILLE-PITTSYLVANIA REGIONAL  
INDUSTRIAL FACILITY AUTHORITY**

**FINANCIAL REPORT**

**June 30, 2012**

*Danville-Pittsylvania Regional Industrial Facility Authority*

*Table of Contents*

---

***Independent Auditor’s Report***..... 1

***Financial Statements***

*Statement of Net Assets*..... 3

*Statement of Revenues and Expenses and  
    Changes in Fund Net Assets* ..... 4

*Statement of Cash Flows* ..... 5

***Notes to Financial Statements*** ..... 7

***Compliance Reports***

*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* ..... 15

*Independent Auditor’s Report on Compliance with Requirements  
    That Could Have a Direct and Material Effect on Each Major  
    Program and on Internal Control Over Compliance in Accordance  
    with OMB Circular A-133* ..... 17

*Schedule of Expenditures of Federal Awards* ..... 19

*Summary of Compliance Matters* ..... 20

*Schedule of Findings and Questioned Costs* ..... 21



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2012, as listed in the table of contents. 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 2011 financial statements on which, in our report dated December 9, 2011, 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 the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2012, 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 November 20, 2012 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's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by the omitted information.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 20, 2012

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Net Assets**  
**June 30, 2012**

|  | 2012                 | (For<br>Comparative<br>Purposes<br>Only)<br>2011 |
|--|----------------------|--|
| <b>Assets</b>                                    |                      |  |
| <i>Current assets</i>                            |                      |  |
| Cash and cash equivalents                        | \$ 1,250,631         | \$ 1,016,982                                     |
| Due from other governments                       | 158,281              | 282,441  |
| Other receivables                                | 17,886               | 3,500  |
| Prepays  | 9,579                | 10,114   |
| <i>Total current assets</i>                      | <u>1,436,377</u>     | <u>1,313,037</u>                                 |
| <i>Noncurrent assets</i>                         |                      |  |
| Restricted cash and cash equivalents             | 3,873,969            | 1,682,058  |
| Due from City of Danville                        | 236,479              | 37,824   |
| Capital assets not being depreciated             | 24,839,271           | 24,865,370                                       |
| Capital assets being depreciated, net            | 27,794,063           | 27,244,055                                       |
| Construction in progress                         | 2,277,130            | 1,930,750  |
| Unamortized bond issuance costs                  | 608,186              | 272,899  |
| <i>Total noncurrent assets</i>                   | <u>59,629,098</u>    | <u>56,032,956</u>                                |
| <b>Total assets</b>                              | <u>61,065,475</u>    | <u>57,345,993</u>                                |
| <b>Liabilities</b>                               |                      |  |
| <i>Current liabilities</i>                       |                      |  |
| Accrued interest payable                         | 123,635              | 967  |
| Accounts payable - general                       | 46,802               | 23,708   |
| Accounts payable - construction                  | 38,050               | 407,676  |
| Retainage payable                                | -                    | 12,232   |
| Due to City of Danville                          | -                    | 10,479,073                                       |
| Security deposit                                 | 1,500                | 1,000  |
| Unearned revenue                                 | 9,106                | 6,700  |
| Bonds payable - current                          | 5,823,395            | 285,000  |
| <i>Total current liabilities</i>                 | <u>6,042,488</u>     | <u>11,216,356</u>                                |
| <i>Noncurrent liabilities</i>                    |                      |  |
| Due to Pittsylvania County                       | 236,479              | 37,824   |
| Bonds payable                                    | 11,301,885           | 5,895,000  |
| <i>Total noncurrent liabilities</i>              | <u>11,538,364</u>    | <u>5,932,824</u>                                 |
| <b>Total liabilities</b>                         | <u>17,580,852</u>    | <u>17,149,180</u>                                |
| <b>Net assets</b>                                |                      |  |
| Invested in capital assets - net of related debt | 42,267,338           | 39,063,160                                       |
| Unrestricted                                     | 1,217,285            | 1,133,653  |
| <b>Total net assets</b>                          | <u>\$ 43,484,623</u> | <u>\$ 40,196,813</u>                             |

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*  
*Year Ended June 30, 2012*

|   | <u>2012</u>          | <u>(For<br/>Comparative<br/>Purposes<br/>Only)<br/>2011</u> |
|---|----------------------|---|
| <b>Operating revenues</b>                             |                      |   |
| Virginia Tobacco Commission grants                    | \$ 316,932           | \$ 77,120   |
| Other grants  | 1,076,639            | 780,321   |
| Other income  | 238,273              | 174,703   |
| Reimbursement of incentive grant                      | -                    | 327,664   |
| <b>Total operating revenues</b>                       | <u>1,631,844</u>     | <u>1,359,808</u>  |
| <b>Operating expenses</b>                             |                      |   |
| Depreciation and amortization                         | 1,004,543            | 925,624   |
| Economic development - Cyber Park                     | -                    | 592,018   |
| Economic development - Cane Creek Centre              | 140,253              | 640,862   |
| Economic development - Berry Hill Mega Park           | -                    | 500,000   |
| Other operating expenses                              | 222,091              | 223,432   |
| <b>Total operating expenses</b>                       | <u>1,366,887</u>     | <u>2,881,936</u>  |
| <b>Operating income (loss)</b>                        | <u>264,957</u>       | <u>(1,522,128)</u>  |
| <b>Non-operating revenues (expenses)</b>              |                      |   |
| Interest income                                       | 1,453                | 3,493   |
| Interest expense                                      | (31,458)             | (19,264)  |
| Loss on disposal                                      | -                    | (2,000)   |
| <b>Total non-operating expenses</b>                   | <u>(30,005)</u>      | <u>(17,771)</u>   |
| <b>Net income (loss) before capital contributions</b> | <u>234,952</u>       | <u>(1,539,899)</u>  |
| <b>Capital contributions</b>                          |                      |   |
| Contribution - City of Danville                       | 1,526,429            | 451,729   |
| Contribution - Pittsylvania County                    | 1,526,429            | 451,729   |
| <b>Total capital contributions</b>                    | <u>3,052,858</u>     | <u>903,458</u>  |
| <b>Change in net assets</b>                           | <u>3,287,810</u>     | <u>(636,441)</u>  |
| <b>Net assets at July 1, as restated</b>              | <u>40,196,813</u>    | <u>40,833,254</u>   |
| <b>Net assets at June 30</b>                          | <u>\$ 43,484,623</u> | <u>\$ 40,196,813</u>  |

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Cash Flows*  
*Year Ended June 30, 2012*

|  | 2012                | (For<br>Comparative<br>Purposes Only)<br>2011 |
|--|---------------------|---|
| <b>Operating activities</b>  |                     |   |
| Receipts from operating grants and activities                                    | \$ 1,506,251        | \$ 974,319                                    |
| Payments to suppliers for goods and services                                     | (116,624)           | (875,307)                                     |
| Other payments   | 32,664              | 196,765                                       |
| <b>Net cash provided by operating activities</b>                                 | <u>1,422,291</u>    | <u>295,777</u>                                |
| <b>Capital and related financing activities</b>                                  |                     |   |
| Purchase of capital assets   | (1,478,727)         | (76,760)                                      |
| Payments on advances from the City of Danville                                   | (10,485,134)        | -   |
| Capital contributions  | 2,674,783           | 566,117                                       |
| Interest paid on bonds   | (104,325)           | (19,810)                                      |
| Proceeds from bond issuance  | 11,250,000          | -   |
| Bond issuance costs paid   | (548,456)           | -   |
| Original issue discount on bonds issued  | (21,325)            | -   |
| Principal repayments on bonds  | (285,000)           | (275,000)                                     |
| <b>Net cash provided by capital and related financing activities</b>             | <u>1,001,816</u>    | <u>194,547</u>                                |
| <b>Investing activities</b>  |                     |   |
| Interest received  | 1,453               | 3,493   |
| <b>Net cash provided by investing activities</b>                                 | <u>1,453</u>        | <u>3,493</u>                                  |
| <b>Net increase in cash and cash equivalents</b>                                 | 2,425,560           | 493,817                                       |
| <b>Cash and cash equivalents - beginning of year (including restricted cash)</b> | <u>2,699,040</u>    | <u>2,205,223</u>                              |
| <b>Cash and cash equivalents - end of year (including restricted cash)</b>       | <u>\$ 5,124,600</u> | <u>\$ 2,699,040</u>                           |

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Cash Flows*  
*Year Ended June 30, 2012*

|  | 2012                       | (For<br>Comparative<br>Purposes Only)<br>2011 |
|--|----------------------------|---|
| <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b> |                            |   |
| Operating income (loss)  | \$ 264,957                 | \$ (1,522,128)                                |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                            |   |
| Depreciation   | 955,492                    | 917,854                                       |
| Amortization of bond issue costs   | 49,051                     | 7,770   |
| Non-cash economic incentive expenses   | -                          | 1,104,904                                     |
| Non-cash economic incentive reimbursements   | -                          | (327,664)                                     |
| Non-cash operating in-kind expenses  | 16,482                     | 591   |
| Changes in assets and liabilities:   |                            |   |
| Change in prepaids   | 535                        | 356   |
| Change in due from other governments   | 124,160                    | (27,627)                                      |
| Change in other receivables  | (14,386)                   | 381,708                                       |
| Change in accounts payable - general   | 23,094                     | (247,687)                                     |
| Change in security deposit   | 500                        | 1,000   |
| Change in unearned revenue   | 2,406                      | 6,700   |
| <b>Net cash provided by operating activities</b>   | <u><u>\$ 1,422,291</u></u> | <u><u>\$ 295,777</u></u>                      |
| <b>Supplemental cash flow information – non-cash transactions</b>                              |                            |   |
| Capitalized interest   | \$ 203,201                 | \$ 21,092                                     |
| Capital asset additions financed by retainage payable  | -                          | 12,232  |
| Capital asset additions financed by accounts payable   | 38,050                     | 243,559                                       |
| Capital asset additions financed by locality contribution                                      | 387,693                    | 516,750                                       |
| Accrual of bond issuance costs   | -                          | 164,117                                       |
|  | <u><u>\$ 628,944</u></u>   | <u><u>\$ 957,750</u></u>                      |

***Danville-Pittsylvania Regional Industrial Facility Authority***  
***Notes to Financial Statements***  
***June 30, 2012***

---

**1. Organization and Nature of Activities**

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

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

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

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 GASB. 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, in management’s judgment, all eligibility requirements have been substantially satisfied.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Notes to Financial Statements*  
*June 30, 2012*

---

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

**Cash and Cash Equivalents**

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

**Due From Other Governments**

Due from other governments consists of grant reimbursements receivable from the Virginia Tobacco Commission in the amount of \$158,281 at June 30, 2012.

**Other Receivables**

Other receivables primarily consist of rent payments due to the Authority at year-end.

**Prepays**

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

**Restricted Resources**

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

**Capital Assets**

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

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

**Unearned Revenue**

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

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2012**

---

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

**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 Issuance Costs**

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

**Income Taxes**

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

**Subsequent Events**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 20, 2012, the date the financial statements were available to be issued.

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

**Deposits**

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

**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).

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Notes to Financial Statements*  
*June 30, 2012*

---

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

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents consist of the following at June 30, 2012:

|  |                     |
|--|---------------------|
| Bond funds to be used for improvements to Cane Creek Centre    | \$ 1,046,463        |
| Restricted funds for Cane Creek Centre debt service            | 807,894             |
| Bond funds to be used for improvements to Berry Hill Mega Park | 19,512              |
| Restricted funds for Berry Hill Mega Park debt service         | 2,000,100           |
|  | <u>\$ 3,873,969</u> |

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

**Credit Risk** - In accordance with State statutes, the Authority authorizes investments in obligations of the United States and agencies thereof, commercial paper, repurchase agreements which are collateralized with securities that are approved for direct investment, the Virginia Local Government Investment Pool (LGIP), and Virginia's State Non-Arbitrage Pool (SNAP). All cash of the Authority was held in money market or checking accounts at June 30, 2012.

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

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

The Authority is equally funded by the City of Danville and Pittsylvania County. The two localities have signed agreements to share all costs of the Authority equally. At times, one locality may front all costs associated with a transaction, creating an amount owed by the other. The Authority reflects these balances as all transactions associated with the Authority are recorded on the Authority's books. At June 30, 2012, the Authority reflects amounts due to Pittsylvania County of \$236,479 and a corresponding due from the City of Danville for the same amount. This stems from items paid for or contributed by Pittsylvania County in excess of its share. It is not expected that the City of Danville will repay this amount in full in fiscal year 2013, but rather that the balance will be adjusted annually based on contributions made by both localities.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2012**

**5. Capital Assets**

Capital asset activity was as follows:

|  | June 30, 2011<br>Balance, as<br>restated | Increases         | Decreases        | June 30, 2012<br>Balance |
|--|--|-------------------|------------------|--------------------------|
| <i>Capital assets, not being depreciated:</i>      |  |                   |                  |                          |
| Cyber Park – Land                                  | \$ 5,930,882                             | \$ -              | \$ 26,099        | \$ 5,904,783             |
| Cane Creek Centre – Land                           | 5,871,948                                | -                 | -                | 5,871,948                |
| Mega Park – Land                                   | 13,062,540                               | -                 | -                | 13,062,540               |
| <i>Total capital assets not being depreciated</i>  | <u>24,865,370</u>                        | <u>-</u>          | <u>26,099</u>    | <u>24,839,271</u>        |
| <i>Capital assets, being depreciated:</i>          |  |                   |                  |                          |
| Buildings  | 25,617,874                               | -                 | -                | 25,617,874               |
| Building Improvements                              | 267,000                                  | -                 | -                | 267,000                  |
| Land Improvements                                  | 4,464,958                                | 1,505,500         | -                | 5,970,458                |
| Infrastructure                                     | 2,006,965                                | -                 | -                | 2,006,965                |
| <i>Total capital assets being depreciated</i>      | <u>32,356,797</u>                        | <u>1,505,500</u>  | <u>-</u>         | <u>33,862,297</u>        |
| <i>Less accumulated depreciation for:</i>          |  |                   |                  |                          |
| Buildings  | 4,514,525                                | 756,544           | -                | 5,271,069                |
| Building Improvements                              | 35,130                                   | 7,026             | -                | 42,156                   |
| Land Improvements                                  | 402,531                                  | 151,783           | -                | 554,314                  |
| Infrastructure                                     | 160,556                                  | 40,139            | -                | 200,695                  |
| <i>Total accumulated depreciation</i>              | <u>5,112,742</u>                         | <u>955,492</u>    | <u>-</u>         | <u>6,068,234</u>         |
| <i>Total capital assets being depreciated, net</i> | <u>27,244,055</u>                        | <u>550,008</u>    | <u>-</u>         | <u>27,794,063</u>        |
| <i>Total capital assets, net</i>                   | <u>\$ 52,109,425</u>                     | <u>\$ 550,008</u> | <u>\$ 26,099</u> | <u>\$ 52,633,334</u>     |

**6. Construction in Progress**

Construction in progress consisted of the following at June 30:

|                   | June 30, 2011<br>Balance | Increases           | Decreases           | June 30, 2012<br>Balance |
|-------------------|--------------------------|---------------------|---------------------|--------------------------|
| Cane Creek Centre | \$ 268,882               | \$ 1,236,618        | \$ 1,505,500        | \$ -                     |
| Mega Park*        | 1,661,868                | 615,262             | -                   | 2,277,130                |
|                   | <u>\$ 1,930,750</u>      | <u>\$ 1,851,880</u> | <u>\$ 1,505,500</u> | <u>\$ 2,277,130</u>      |

\* Current year additions include \$203,201 of capitalized interest.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Notes to Financial Statements**  
**June 30, 2012**

**7. Long-Term Debt**

The following schedule represents all bonds payable:

| Description        | Original Issue       | Annual Amount          | Interest Rate | Maturity | Outstanding<br>June 30, 2012 |
|--------------------|----------------------|------------------------|---------------|----------|------------------------------|
| 2005 Revenue bonds | \$ 7,300,000         | \$ 100,000 – 565,000   | Variable      | 1/1/2026 | \$ 5,895,000                 |
| 2011 Revenue bonds | 11,250,000           | \$ 730,000 – 5,525,000 | 2.50 – 4.75%  | 9/1/2019 | 11,250,000                   |
|                    | <u>\$ 18,550,000</u> |                        |               |          | <u>\$ 17,145,000</u>         |

In August 2005, the Authority issued \$7,300,000 in revenue bonds. The bonds bear interest at a variable rate, which averaged 0.21% in fiscal year 2012. The variable rate is set by remarketing agents to reflect the current yields of similar bonds in the marketplace. Future interest payments for this bond issuance disclosed on the following page are calculated using the average rate for the current year. Debt service payments are made with funds received from the City of Danville and Pittsylvania County. In July 2012, the Authority extended the letter of credit agreement that supports the 2005 revenue bonds. The new letter of credit will expire in August 2013 with an option to extend it until August 2014. The letter of credit fee remained unchanged and 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.

In fiscal years 2009 and 2010, the City of Danville advanced funding to the Authority to acquire land for the Berry Hill Mega Park. The outstanding portion of the advances from the City was repaid by the Authority in January 2012 and totaled \$10,485,134, including interest on the advances.

In December 2011, the Authority issued \$11,250,000 in revenue bonds to repay the City's advances discussed in the previous paragraph. The debt service payments due on March 1, 2012 and September 1, 2012 are funded by a grant from the Virginia Tobacco Commission; debt service payments thereafter will be made with funds received from the City of Danville and Pittsylvania County.

Long-term debt activity for the year ended June 30, 2012 was as follows:

| Description             | Beginning<br>Balance | Increases            | Decreases         | Ending<br>Balance    | Due Within<br>One Year |
|-------------------------|----------------------|----------------------|-------------------|----------------------|------------------------|
| Revenue bonds           | \$ 6,180,000         | \$ 11,250,000        | \$ 285,000        | 17,145,000           | \$ 5,825,000           |
| Original issue discount | -                    | (21,325)             | (1,605)           | (19,720)             | -                      |
|                         | <u>\$ 6,180,000</u>  | <u>\$ 11,228,675</u> | <u>\$ 283,395</u> | <u>\$ 17,125,280</u> | <u>\$ 5,825,000</u>    |

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Notes to Financial Statements*  
*June 30, 2012*

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

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

**Debt Maturity Schedule**

| Year Ending<br>June 30 | Principal            | Estimated<br>Interest* | Total                |
|------------------------|----------------------|------------------------|----------------------|
| 2013                   | \$ 5,825,000         | \$ 311,074             | \$ 6,136,074         |
| 2014                   | 1,045,000            | 230,431                | 1,275,431            |
| 2015                   | 1,080,000            | 206,163                | 1,286,163            |
| 2016                   | 1,130,000            | 178,676                | 1,308,676            |
| 2017                   | 1,175,000            | 147,098                | 1,322,098            |
| 2018 – 2022            | 4,780,000            | 224,028                | 5,004,028            |
| 2023 – 2027            | 2,110,000            | 11,340                 | 2,121,340            |
|                        | <u>\$ 17,145,000</u> | <u>\$ 1,308,810</u>    | <u>\$ 18,453,810</u> |

\* Estimated interest is computed using rates in effect as of June 30, 2012.

**8. Economic Development**

In fiscal years 2009 and 2010, the Authority completed several land acquisitions to create a 3,500+ acre Mega Park. The City of Danville advanced funding to the Authority for these purchases. The Authority repaid the City, including interest, in January 2012 after it issued bonds for the project as discussed in Note 7.

In fiscal year 2012, the Authority transferred 0.90 acres of the Cyber Park land to the City of Danville for the Highway 58 widening 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, 2013 is estimated to be \$16,956.

**10. Long-Term Operating Leases**

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

The Research building, which has a carrying value of \$6,201,395 at June 30, 2012 and accumulated depreciation of \$834,415, is leased to the Institute for Advanced Learning & Research (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. For fiscal year 2012, \$211,442 of rental income was received through this lease.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Notes to Financial Statements*  
*June 30, 2012*

---

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

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

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

**11. Commitments/Subsequent Events**

At June 30, 2012, the Authority had approximately \$1.2 million in outstanding engineering and consulting contracts, of which approximately \$166,000 had not been expended.

On October 9, 2012, the Authority entered into a \$1,781,119 contract for design and engineering of the Berry Hill connector road. A portion of those costs will be reimbursed by the Virginia Tobacco Indemnification and Community Revitalization Commission through a grant agreement between the Authority and the Commission.

**12. Dissolution of Authority**

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

**13. Restatement of Net Assets**

The Authority's net assets as of June 30, 2011 have been restated to correct an understatement of incentive expense and a related overstatement of capital assets due to an error in the calculation of the cost per acre of land in the Cane Creek Centre.

|  |                      |
|--|----------------------|
| Net assets June 30, 2011, as previously reported | \$ 40,294,373        |
| Restatement for:                                 |                      |
| Incentive expense and capital assets             | <u>(97,560)</u>      |
| Net assets June 30, 2011, as restated            | <u>\$ 40,196,813</u> |

\* \* \* \* \*



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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.**

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 noted certain other matters that we reported to management of the Authority in a separate letter dated November 20, 2012.

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's response, and accordingly, we express no opinion it.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 20, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2012. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

**In our opinion, the Danville-Pittsylvania Regional Industrial Facility Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.**

## Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 20, 2012

*Danville-Pittsylvania Regional Industrial Facility Authority  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012*

---

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|------------------------|---------------------------------|
| Department of Commerce                                    |                        |                                 |
| Pass-through Payments:                                    |                        |                                 |
| Economic Development Administration                       |                        |                                 |
| Public Works and Economic Development Facilities          | 11.300                 | <u>\$ 1,076,639</u>             |
| Total expenditures of federal awards                      |                        | <u><u>\$ 1,076,639</u></u>      |

Note 1. Basis of Accounting

This schedule is presented on the modified accrual basis of accounting.

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2012**

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

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Cash and Investment Laws

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to the federal program selected for testing.

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2012**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements is reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

|  |        |        |
|--|--------|--------|
| Public Works and Economic Development Facilities | CFDA # | 11.300 |
|--|--------|--------|
8. The threshold for distinguishing Type A and B programs was **\$300,000**.
9. The Authority was **not** determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**DANVILLE-PITTSYLVANIA REGIONAL  
INDUSTRIAL FACILITY AUTHORITY**

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

**June 30, 2012**

**CONTENTS**

|   | Page |
|---|------|
| INDEPENDENT AUDITOR’S REPORT ON<br>COMMENTS AND SUGGESTIONS ..... | 3    |
| PRIOR YEAR COMMENTS AND SUGGESTIONS                               |      |
| Segregation of Duties (Significant Deficiency in 2011) .....      | 5    |
| Evaluation of Land Values.....                                    | 5    |
| ACCOUNTING AND OTHER MATTERS .....                                | 6    |



## INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

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

In planning and performing our audit of the basic financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") as of and for the year ended June 30, 2012, 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* and the regulations set forth in OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 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.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 20, 2012

## DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

### PRIOR YEAR COMMENTS AND SUGGESTIONS

June 30, 2012

#### SEGREGATION OF DUTIES (Significant Deficiency in 2011)

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

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

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

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

**Status:** *The items noted above still exist. (1) The same individual that prepares checks to be signed also is responsible for the mailing of the checks and (2) general ledger access for the individual who prepares the bank reconciliation has been reduced but still includes access to recording and changing of transactions. Management believes there are appropriate mitigating controls in place to address the risk associated with the two areas noted that are not ideally segregated. These mitigation controls consist of monitoring of all cash disbursements by other knowledgeable personnel. We have concluded that although duties are not ideally segregated, this no longer constitutes a significant deficiency. Management should continue to identify ways in which controls could be overridden, and should ensure that monitoring controls are applied vigilantly.*

#### EVALUATION OF LAND VALUES

During our audit, we noted that land values for the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") are maintained at cost, as is typical, on the Authority's accounting records. However, under generally accepted accounting principles, consideration should be given as to whether an asset is recorded at an amount higher than its fair value. Management has not conducted a formal evaluation on the Authority's land, although management believes no material decline has occurred. We recommend that in the coming year management undertake a more formal evaluation that provides independent evidence about the land's value, whether from appraisers, recent comparable transactions, or other sources.

As also noted in the financial report, management concluded that the carrying value of land should be restated in 2011 because too much cost had been released in earlier incentive grant transactions. Given the increased complexity of the Authority's operations, including the addition of the Mega Park, we recommend management develop an easy to understand comprehensive system whereby land values and acreages are tracked by identified parcels that can be and is periodically reconciled to the tax records of the locality where the land is located. This would help ensure that all acreages are properly accounted for.

**Status:** *The Authority contacted independent appraisers in the fiscal year 2012 to discuss properties and consider conducting land appraisals. However, management concluded that the estimated charges for services from the appraisers were too significant in relation to the Authority's budget and were not a prudent use of funds at this time. We recommend that management continue to evaluate as time passes whether market conditions would indicate a decline in value that should be reflected. During fiscal year 2012, the Authority incorporated into the fiscal year-end process a reconciliation of the acreage in each park per the accounting records to the tax records and other underlying records.*

## DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

### ACCOUNTING AND OTHER MATTERS – PENDING CHANGES

June 30, 2012

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

#### 2011 REVISION OF GOVERNMENT AUDITING STANDARDS

The stated purpose of the 2011 revision is to promote the modernization of auditing standards, to streamline *Government Auditing Standards* to other standard setters, and to address issues that the GAO has observed. The discussion that follows highlights some of the revisions to the standards. The 2011 revision is available on the GAO website at [www.gao.gov/yellowbook](http://www.gao.gov/yellowbook).

The most significant change in the 2011 revision relates to the standards for **auditor independence**. The revision introduces a conceptual framework approach to independence using a threats and safeguards approach similar to the AICPA Code of Professional Conduct. However, there are differences between the two, including when the conceptual framework is required to be used to assess independence. The revision contains a number of nonaudit service prohibitions that are generally consistent with the AICPA independence standards. For nonaudit services not specifically prohibited, auditors must apply the new conceptual framework and assess management's ability to effectively oversee the nonaudit service and document that assessment. Although not prohibited, the revision states that activities such as financial statement preparation and cash to accrual conversions are considered to be nonaudit services and should be evaluated using the conceptual framework established under *Government Auditing Standards*. The revision also contains new independence-related documentation requirements, some of which go beyond AICPA standards.

The 2011 revision is effective for periods ending on or after December 15, 2012. Early implementation is not permitted. **However, auditors performing nonaudit services that relate to periods ending on or after December 15, 2012, should be independent for the entire period under audit.**

#### GASB STATEMENT NO. 63

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. Amounts that are required to be reported as deferred outflows of resources should be reported in the statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The total deferred outflows of resources may be added to the total for assets, and the total for deferred inflows of resources may be added to the total for liabilities to provide subtotals.

The statement of **net position** should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Governments are encouraged to present the statement of net position in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, although a balance sheet format (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net position) may be used. Regardless of the format used, the statement of net position should report the residual amount as net position, rather than net assets, proprietary or fiduciary fund balance, or equity. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components—net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**ACCOUNTING AND OTHER MATTERS – PENDING CHANGES**

**June 30, 2012**

**GASB STATEMENT NO. 63 (Continued)**

Deferred outflows of resources and deferred inflows of resources that are required to be reported in a governmental fund balance sheet should be presented in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance. Balances of deferred outflows of resources and deferred inflows of resources reported in a statement of net position or a governmental fund balance sheet may be aggregations of different types of deferred amounts. Governments should provide details of the different types of deferred amounts in the notes to the financial statements if significant components of the total deferred amounts are obscured by aggregation. Disclosure in the notes to the financial statements is required only if the information is not displayed on the face of the financial statements.

GASB Statement No. 63, is effective for periods beginning after December 15, 2011. Earlier application is encouraged. In the first period that this statement is applied, changes should be treated as an adjustment of prior periods, and financial statements presented for the periods affected should be restated.

**GASB STATEMENT NO. 65**

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

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

**POTENTIAL CHANGES TO SINGLE AUDITS**

OMB issued the advance notice to more fully describe the reform ideas being contemplated so that the public can provide feedback. Note that this is the first step in the process. OMB will consider the feedback received on the advance notice and move to the next step – that is, developing proposed revisions to various federal regulations and circulars. The following describes some of the key ideas for single audits that are covered in the advance notice. The reform ideas fall into three main categories: (1) reforms to audit requirements, (2) reforms to cost principles, and (3) reforms to administrative requirements.

**DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**

**ACCOUNTING AND OTHER MATTERS – PENDING CHANGES**

**June 30, 2012**

**POTENTIAL CHANGES TO SINGLE AUDITS (Continued)**

**Reforms to audit requirements.** The reforms to audit requirements being considered, as discussed in the advance notice, relate to the following five reform areas:

- a. Concentrating audit resolution and oversight resources on higher dollar, higher risk awards.
- b. Streamlining the universal compliance requirements in the Circular A-133 compliance supplement.
- c. Strengthening the guidance on audit follow-up for federal awarding agencies.
- d. Reducing burden on pass-through entities and subrecipients by ensuring across-agency coordination.
- e. Reducing burdens on recipients, pass-through entities, and subrecipients relative to audits and audit follow-up.

A summary of certain reforms under consideration that are presented in the advance notice follow in the subsequent paragraphs.

**Proposed single audit threshold increase.** Entities that expend less than \$1 million in federal awards would not be required to undergo a single audit. This would represent an increase from the current threshold for single audits of \$500,000, which was established in 2003. The AICPA's Government Audit Quality Center (GAQC) performed a quick analysis of the 2010 FAC database and believes that just over 10,000 auditees may no longer be required to have a single audit if the threshold is increased.

**New category of single audit.** For those entities expending between \$1 million and \$3 million in federal awards, a single audit would be required, but major program audit procedures would be focused on testing only two compliance requirements – that is, allowable and unallowable costs and one additional requirement that would be selected by the federal agency responsible for the program. The advance notice is silent regarding the level of testing of internal control over compliance that would be expected. The GAQC quick analysis of the 2010 FAC database shows that approximately 16,000 auditees may fall into this category.

**Changes for larger single audits.** For entities expending more than \$3 million in federal awards, a full single audit would be required. However, the advance notice indicates that federal agencies may identify subsets of compliance requirements that they believe most effectively address improper payments, waste, fraud, abuse, and program performance and require additional testing for those requirements. At the same time, the advance notice indicates that other compliance requirements could be made optional for testing, or the auditor could be directed to perform less testing on those requirements.

The advance notice also states that federal agencies could move compliance requirements that would no longer be "universal" to a specific program's special tests and provisions compliance requirement, if a requirement is deemed to be relevant to preventing waste, fraud, and abuse for that program. The GAQC quick analysis of the 2010 FAC database indicates that just over 17,000 audits may fall into this category.

**Audit follow-up by federal agencies.** OMB is considering ideas for making federal agencies more accountable for audit follow-up and audit resolution. Among the ideas discussed, the advance notice mentions that the federal government might digitize single audit reports into a searchable database to support analysis by federal agencies.

## DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

### ACCOUNTING AND OTHER MATTERS – PENDING CHANGES

June 30, 2012

#### POTENTIAL CHANGES TO SINGLE AUDITS (Continued)

**Pass-through entities and subrecipients.** The ideas discussed in this section call for more federal coordination regarding additional federal agency audits of recipient entities. Further, for entities that receive a majority of funds directly from the federal government and some other awards from a pass-through entity, the suggestion is for the federal government to perform audit follow-up for all funds, both direct and subawards, when the findings are not specific to the program delivery of the subawards. However, once the federal government has resolved the “general” findings, it would be up to the pass-through entity to follow up to ensure that the subrecipient complies with the audit resolution.

#### CURRENT GASB PROJECTS

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

- **Conceptual Framework – Recognition and Measurement Approaches.** This project has two primary objectives. The first objective is to develop recognition criteria for whether information should be reported in state and local governmental financial statements and when that information should be reported. The second objective is to consider the measurement approach or measurement approaches (for example, initial amounts or remeasured amounts) that conceptually should be used in governmental financial statements. An exposure draft document is expected to be issued for public comment in mid-2013.
- **Economic Condition Reporting: Financial Projections.** The objective of this project is to consider whether guidance or guidelines should be provided for additional information about economic condition, particularly financial projections, as part of general purpose external financial reporting. This project also will include consideration of the information users identified as necessary to assess the risks associated with a government’s intergovernmental financial dependencies. The project is currently being deliberated. A determination of whether the project should proceed with an exposure draft document is expected in late 2012.
- **Fair Value Measurement and Application.** The objective of this project is to review and consider alternatives for the further development of the definition of *fair value*, the methods used to measure fair value, and potential disclosures about fair value measurements. Within this review, specific issues, including fair value measurement of alternative investments, such as private placements and hedge funds, real estate investment trusts, state land trusts, and partnership interests are to be addressed. An exposure draft document is expected to be issued for public comment in early 2013.
- **Nonexchange Financial Guarantee Transactions.** The objective of this project is to establish additional guidance regarding the recognition and disclosure of nonexchange financial guarantees made and received by state and local governments. An exposure draft document is expected to be issued for public comment in June 2012.
- **GAAP Hierarchy.** This project would consider possible modifications to the GAAP hierarchy, as set forth in GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. It would reexamine the hierarchy levels to assess whether the standards-setting process and the governmental financial reporting environment have sufficiently evolved since the establishment of the original hierarchy by the AICPA in 1992 to warrant reconsideration or reconfiguration of certain aspects of the structure. An exposure draft document is expected to be issued for public comment in early 2013.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS – PENDING CHANGES

June 30, 2012

CURRENT GASB PROJECTS (Continued)

- **Government Combinations and Disposals of Government Operations.** An exposure draft of a proposed statement was issued in March 2012. The exposure draft proposes financial reporting requirements for government combinations that are accomplished through mergers and acquisitions. It would apply to government combinations that have taken place in both the general governmental area (city and county consolidations and consolidated school districts, for example) and the business-type activities area (health care organizations, for example). In addition, the exposure draft addresses disposals of governmental operations, for example, accounting for a separate library district that was formerly a department of a primary government. The comment deadline for the exposure draft was June 15, 2012.
- **Other Postemployment Benefit Accounting and Financial Reporting.** In the overall project, the board will consider the possibility of improvements to the existing standards of accounting and financial reporting for postemployment benefits—including other postemployment benefits (OPEB)—by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. One objective of this project is to improve accountability and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB. This objective would include improving the information provided to help financial report users assess the degree to which interperiod equity has been achieved. The other objective of this project is to improve the usefulness of information for decisions or judgments of relevance to the various users of the general-purpose external financial reports of governmental employers and OPEB plans. An exposure draft document is expected to be issued for public comment in late 2013.
- **The User Guide Series.** The objective of this project is to update GASB's User Guide Series to encompass accounting and financial reporting standards issued since the original series' publication in the early 2000s. The project ultimately will lead to the publication of a new series of four user guides to replace the original series. The first two guides in the series, *What You Should Know about Your Local Government's Finances: A Guide to Financial Statements*, and *What You Should Know about Your School District's Finances: A Guide to Financial Statements*, were published in early April 2012.

## REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2012 and have issued our reports thereon dated November 20, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 21, 2012. 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, 2012. 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.
- Management's judgment that the carrying value of property and improvements is not materially different from market value is largely based on assumptions about the local real estate market.

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

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

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

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

- The disclosure of the Authority's various commitments and information regarding any significant activity that occurred after year end in Notes 10 and 11 is considered useful to users of the statements.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

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

- A \$101,000 increase in capitalized interest, a \$30,600 increase in accrued interest, and a \$70,400 decrease in interest expense.

### *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 November 20, 2012. A copy 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  
November 20, 2012

# Danville - Pittsylvania Regional Industrial Facility Authority

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

November 20, 2012

Brown, Edwards & Company, L.L.P.  
P.O. Box 10189  
Lynchburg, Virginia 24506

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, 2012 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 November 20, 2012, 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 required information.
- 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 or the schedule of expenditures of federal awards.
- 5) We have provided the planning communication letter to all members of those charged with governance as requested.
- 6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 7) 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.
- 8) 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.
- 9) We have a process to track the status of audit findings and recommendations.
- 10) 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.
- 11) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 12) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 13) 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.
- 14) 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.
- 15) 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.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 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) Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 19) Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
- 20) Provisions for uncollectible receivables are not considered necessary due to the nature of the Authority's receivables.
- 21) Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
- 22) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 23) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 24) With respect to the schedule of expenditures of federal awards.
  - a. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of expenditures of federal awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 25) We have evaluated the Authority's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
- 26) With respect to federal award programs:
  - a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b) We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not change from those used in the

prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.

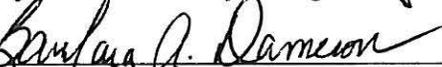
- d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding

significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

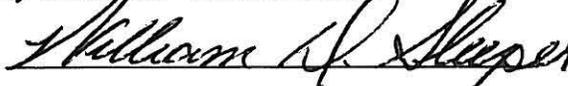
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
  - s) We have charged costs to federal awards in accordance with applicable cost principles.
  - t) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
  - u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
  - v) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- 27) We are responsible for preparing and implementing a corrective action plan for each audit finding.
- 28) 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, 2012. We are in agreement with the changes in the due to/from account based on the contributions by each locality in FY 2012.
- 29) We have represented that we do not believe that the Authority's real estate has declined materially in value below the cost recorded on the Authority's books; however, no formal appraisals of the Authority's real property have been obtained since it was acquired.
- 30) We reaffirm the representations made to you on December 9, 2011 in regards to your audit for June 30, 2011.
- 31) We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. 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.

Signed:  \_\_\_\_\_

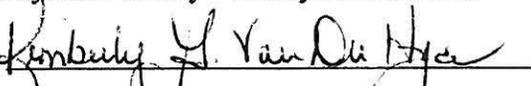
Title: City of Danville – City Manager

Signed:  \_\_\_\_\_

Title: City of Danville – Finance Director

Signed:  \_\_\_\_\_

Title: Pittsylvania County – County Administrator

Signed:  \_\_\_\_\_

Title: Pittsylvania County – Finance Director

# Danville-Pittsylvania Regional Industrial Facility Authority

## Executive Summary

---

---

|                         |  |
|-------------------------|--|
| <b>Agenda Item No.:</b> | 6-F  |
| <b>Meeting Date:</b>    | 01/14/2013                                   |
| <b>Subject:</b>         | Financial Status Reports – December 31, 2012 |
| <b>From:</b>            | Barbara A. Dameron, Authority Treasurer      |

---

---

### **SUMMARY**

A review of the financial status reports through December 31, 2012 will be provided at the meeting. The financial status reports as of December 31, 2012 are attached for the DPRIFA Board's review.

### **RECOMMENDATION**

Staff recommends approving the financial status reports as of December 31, 2012 as presented.

### **ATTACHMENTS**

Financial Status Reports

**Danville - Pittsylvania Regional Industrial Facility  
Authority**

---

# **Financial Status**

---

## **Table of Contents**

- A. \$7.3 Million Bonds - Cane Creek Centre
- B. General Expenditures for FY 2013
- C. Mega Park – Funding Other than Bond Funds
- D. Funds Available for Appropriation
- E. Rent, Interest, and Other Income Realized
- 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, 2012

| <u>Funding</u>  | <u>Funding</u>         | <u>Budget / Contract</u><br><u>Amount</u> | <u>Expenditures</u>    | <u>Encumbered</u>   | <u>Unexpended /</u><br><u>Unencumbered</u> |
|---|------------------------|---|------------------------|---------------------|--|
| Funds from bond issuance  | \$ 7,300,000.00        |   |                        |                     |  |
| Issuance cost   | (155,401.33)           |   |                        |                     |  |
| Bank fees   | (98.25)                |   |                        |                     |  |
| Interest earned to date   | 486,545.19             |   |                        |                     |  |
| <b>Cane Creek Parkway <sup>3</sup></b>                              |                        | \$ 3,804,576.00                           | \$ 3,724,241.16        | \$ -                |  |
| <b>Swedwood Drive <sup>2</sup></b>                                  |                        | 69,414.00                                 | 69,414.00              | -                   |  |
| <b>Cane Creek Centre entrance <sup>3</sup></b>                      |                        | 72,335.00                                 | 53,878.70              | -                   |  |
| <b>Financial Advisory Services</b>                                  |                        | 9,900.00                                  | 9,900.00               | -                   |  |
| <b>Dewberry contracts <sup>1</sup></b>                              |                        | 69,582.50                                 | 69,582.50              | -                   |  |
| <b>Dewberry contracts not paid by 1.7 grant <sup>4,5</sup></b>      |                        | 71,881.00                                 | 12,644.62              | 59,236.38           |  |
| <b>Land</b>   |                        | -   | 2,560,921.67           | -                   |  |
| <b>Demolition services</b>  |                        | 71,261.62                                 | 71,261.62              | -                   |  |
| <b>Legal fees</b>   |                        | -   | 50,884.23              | -                   |  |
| <b>CCC - Lots 3 &amp; 9 project - RIFA Local Share <sup>6</sup></b> |                        | 142,190.00                                | 112,464.98             | -                   |  |
| <b>Other expenditures</b>   |                        | -   | 21,229.70              | -                   |  |
| <b>Total</b>  | <b>\$ 7,631,045.61</b> | <b>\$ 4,311,140.12</b>                    | <b>\$ 6,756,423.18</b> | <b>\$ 59,236.38</b> | <b>\$ 815,386.05</b>                       |

**notes:**

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

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

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

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

<sup>5</sup> These contracts were originally to be paid by the \$1.7M Special Projects Grant, this grant has expired and the TIC did not issue an extension. The remaining amounts of the contract will be paid using bond funds.

<sup>6</sup> The budget amount decreased \$71,279.61 from the September 30, 2010 reports. This amount represented the remaining budget amount carried from the \$1.7 SP grant upon its expiration for the following contracts: Wetland Delineation, Wetland Bank Plan Rev., Stream Concept Plan, & Stream Attribute Plan. Per Shawn Harden of Dewberry, these contracts are complete and finished under budget. The only contract that remains open is for Wetland Monitoring and the budget, expended, and encumbered amounts included here are only for this contract.

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

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

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

**Danville-Pittsylvania Regional Industrial Facility Authority**

General Expenditures for Fiscal Year 2013

As of December 31, 2012

|                                 | <u>Funding</u>       | <u>Budget</u>        | <u>Expenditures</u> | <u>Encumbered</u> | <u>Unexpended /<br/>Unencumbered</u> |
|---------------------------------|----------------------|----------------------|---------------------|-------------------|--------------------------------------|
| <b>Funding</b>                  |                      |                      |                     |                   |                                      |
| City Contribution               | \$ 75,000.00         |                      |                     |                   |                                      |
| County Contribution             | 75,000.00            |                      |                     |                   |                                      |
| Carryforward from FY2012        | 11,042.93            |                      |                     |                   |                                      |
| <b>Contingency</b>              |                      |                      |                     |                   |                                      |
| Miscellaneous contingency items |                      | \$ 47,992.93         | \$ 218.50           | \$ -              | \$ 47,774.43                         |
| <b>Total Contingency Budget</b> |                      | <u>47,992.93</u>     | <u>218.50</u>       | <u>-</u>          | <u>47,774.43</u>                     |
| <b>Legal</b>                    |                      | 75,000.00            | 34,670.30           | -                 | 40,329.70                            |
| <b>Accounting</b>               |                      | 20,750.00            | 20,750.00           | -                 | -                                    |
| <b>Annual Bank Fees</b>         |                      | 4,400.00             | 4,071.25            | -                 | 328.75                               |
| <b>Postage &amp; Shipping</b>   |                      | 100.00               | 44.46               | -                 | 55.54                                |
| <b>Meals</b>                    |                      | 2,800.00             | 1,358.79            | -                 | 1,441.21                             |
| <b>Utilities</b>                |                      | 4,000.00             | 114.70              | -                 | 3,885.30                             |
| <b>Insurance</b>                |                      | 6,000.00             | -                   | -                 | 6,000.00                             |
| <b>Total</b>                    | <u>\$ 161,042.93</u> | <u>\$ 161,042.93</u> | <u>\$ 61,228.00</u> | <u>\$ -</u>       | <u>\$ 99,814.93</u>                  |

**Danville-Pittsylvania Regional Industrial Facility Authority**

Mega Park - Funding Other than Bond Funds

As of December 31, 2012

|   | <u>Funding</u>          | <u>Budget / Contract</u><br><u>Amount</u> | <u>Expenditures</u>     | <u>Encumbered</u>   | <u>Unexpended /</u><br><u>Unencumbered</u> |
|---|-------------------------|---|-------------------------|---------------------|--|
| <b>Funding</b>  |                         |   |                         |                     |  |
| City contribution   | \$ 134,482.50           |   |                         |                     |  |
| County contribution   | 134,482.50              |   |                         |                     |  |
| City advance for Klutz, Canter, & Shoffner property <sup>1 4</sup>          | 10,340,983.83           |   |                         |                     |  |
| Tobacco Commission FY09 SSED Allocation                                     | 3,370,726.00            |   |                         |                     |  |
| Tobacco Commission FY10 SSED Allocation - Engineering Portion               | 407,725.00              |   |                         |                     |  |
| Tobacco Commission FY10 SSED Allocation - Eng. Portion Deobligated          | (244,797.00)            |   |                         |                     |  |
| Local Match for TIC FY10 SSED Allocation - Engineering Portion <sup>5</sup> | 76,067.61               |   |                         |                     |  |
| <b>Land</b>   |                         |   |                         |                     |  |
| Klutz property  |                         | \$ 8,394,553.50                           | \$ 8,394,553.50         | \$ -                |  |
| Canter property <sup>2</sup>  |                         | 1,200,000.00                              | 1,200,000.00            | -                   |  |
| Adams property  |                         | 37,308.00                                 | 37,308.00               | -                   |  |
| Carter property   |                         | 5,843.00                                  | 5,843.00                | -                   |  |
| Jane Hairston property  |                         | 1,384,961.08                              | 1,384,961.08            | -                   |  |
| Bill Hairston property  |                         | 201,148.00                                | 201,148.00              | -                   |  |
| Shoffner Property   |                         | 1,872,896.25                              | 1,872,896.25            | -                   |  |
| <b>Other</b>  |                         |   |                         |                     |  |
| Dewberry & Davis  |                         | 28,965.00                                 | 28,965.00               | -                   |  |
| Dewberry & Davis <sup>3</sup>   |                         | 990,850.00                                | 972,754.29              | 18,095.71           |  |
| Consulting Services - McCallum Sweeney                                      |                         | 115,000.00                                | 92,130.18               | 22,869.82           |  |
| <b>Total</b>  | <b>\$ 14,219,670.44</b> | <b>\$ 14,231,524.83</b>                   | <b>\$ 14,190,559.30</b> | <b>\$ 40,965.53</b> | <b>\$ (11,854.39)</b>                      |

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

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

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

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

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

**Danville-Pittsylvania Regional Industrial Facility Authority**

Funds Available for Appropriation

As of December 31, 2012

| <i>Source of Funds</i>   | <u>Funding</u>       | <u>Contract<br/>Amount</u> | <u>Expenditures</u> | <u>Encumbered</u>    | <u>Unexpended /<br/>Unencumbered</u> |
|--|----------------------|----------------------------|---------------------|----------------------|--------------------------------------|
| Yorktowne Reimbursement <sup>1</sup>                           | \$ 181,339.68        |                            |                     |                      |                                      |
| General funds reimbursed by Berry Hill \$11.25M Bonds          | 184,266.38           |                            |                     |                      |                                      |
| Sale of Land to Harmony Church                                 | 36,564.50            |                            |                     |                      |                                      |
| <b>Expenditures</b>  |                      |                            |                     |                      |                                      |
| Transfer to 'Mega Park - Other than Bonds' budget <sup>2</sup> |                      | \$ -                       | \$ 65,000.00        | \$ -                 |                                      |
| CBN Grant Agreement - Approved 11/12/12 <sup>3</sup>           |                      | 150,000.00                 | -                   | 150,000.00           |                                      |
| <b>Totals</b>  | <u>\$ 402,170.56</u> | <u>\$ 150,000.00</u>       | <u>\$ 65,000.00</u> | <u>\$ 150,000.00</u> | <u>\$ 187,170.56</u>                 |

<sup>1</sup> Since Yorktowne did not meet the job requirements set forth in its initial Performance Agreement executed in 2005, it is repaying incentive money to RIFA to account for the jobs not created. In accordance with the amended 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. No further payments are due unless Yorktowne fails to meet the new targets in the amended performance agreement. The RIFA Board approved at the March 14, 2011 meeting to retain these funds for use within RIFA. These funds are available for the RIFA Board to allocate to budgets as needed.

<sup>2</sup> The RIFA Board approved to utilize approximately \$65,000 of these funds toward the local match for the engineering portion of Tobacco Commission grant #1916 for the Berry Hill Mega Park.

<sup>3</sup> This grant is to be paid to CBN according to the approved agreement once CBN has (1) delivered a Performance Bond or letter of credit to RIFA and (2) obtained a building permit and provided RIFA with proof that substantial grading has started.

**Danville-Pittsylvania Regional Industrial Facility Authority**  
 Rent, Interest, and Other Income Realized  
 As of December 31, 2012

| Source of Funds  | Funding                     |                              |                    | Expenditures | Unexpended /<br>Unencumbered |
|--|-----------------------------|------------------------------|--------------------|--------------|------------------------------|
|  | Carryforward<br>from FY2012 | Receipts<br>December<br>2012 | Receipts<br>FY2013 |              |                              |
| <u>Carryforward</u>  | \$ 376,519.31               |                              |                    |              |                              |
| <u>Current Lessees</u>   |                             |                              |                    |              |                              |
| Institute for Advanced Learning and Research (IALR) <sup>1</sup> |                             |                              |                    |              |                              |
| Securitas  |                             |                              |                    |              |                              |
| Axxor N.A. LLC <sup>3</sup>                                      |                             |                              |                    |              |                              |
| Guilford Whitetail Management                                    |                             |                              |                    |              |                              |
| Browning & Associates, Ltd. <sup>4</sup>                         |                             |                              |                    |              |                              |
| Mountain View Farms of Virginia, L.C.                            |                             |                              |                    |              |                              |
| Osborne Company of North Carolina, Inc.                          |                             |                              |                    |              |                              |
| Clodfelter Hunting Lease   |                             |                              |                    |              |                              |
| Mark L. Osborne  |                             |                              |                    |              |                              |
| <u>Total Rent</u>  |                             | \$ 3,233.40                  | \$ 49,468.85       |              |                              |
| <u>Interest Received</u> <sup>2</sup>                            |                             | \$ 20.71                     | \$ 146.26          |              |                              |
| <u>Expenditures</u>  |                             |                              |                    | \$ -         |                              |
| <u>Totals</u>  | \$ 376,519.31               | \$ 3,254.11                  | \$ 49,615.11       | \$ -         | \$ 426,134.42                |

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

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

<sup>3</sup> Lease terminated August 31, 2012

<sup>4</sup> Lease terminated August 13, 2012

**Danville-Pittsylvania Regional Industrial Facility Authority**  
**Statement of Net Assets**<sup>1,2</sup>  
**December 31, 2012\***

|  | <b>Unaudited<br/>FY 2013</b> |
|--|------------------------------|
| <b>Assets</b>  |                              |
| <i>Current assets</i>  |                              |
| Cash - checking  | \$ 434,488                   |
| Cash - money market  | 1,140,092                    |
| <i>Total current assets</i>                                  | 1,574,580                    |
| <i>Noncurrent assets</i>                                     |                              |
| Restricted cash - project fund CCC bonds                     | 917,750                      |
| Restricted cash - debt service fund CCC bonds                | 1,307,403                    |
| Restricted cash - debt service fund Berry Hill bonds         | 207                          |
| Restricted cash - debt service reserve fund Berry Hill bonds | 2,000,000                    |
| Capital assets not being depreciated                         | 24,839,271                   |
| Capital assets being depreciated, net                        | 27,794,063                   |
| Construction in progress                                     | 2,277,130                    |
| Unamortized bond issuance costs                              | 627,906                      |
| <i>Total noncurrent assets</i>                               | 59,763,730                   |
| <b>Total assets</b>  | <b>61,338,310</b>            |
| <b>Liabilities</b>   |                              |
| <i>Current liabilities</i>                                   |                              |
| Bonds payable - current portion                              | 1,030,000                    |
| <i>Total current liabilities</i>                             | 1,030,000                    |
| <i>Noncurrent liabilities</i>                                |                              |
| Bonds payable - less current portion                         | 10,590,000                   |
| <i>Total noncurrent liabilities</i>                          | 10,590,000                   |
| <b>Total liabilities</b>                                     | <b>11,620,000</b>            |
| <b>Net Assets</b>  |                              |
| Invested in capital assets - net of related debt             | 48,143,730                   |
| Unrestricted   | 1,574,580                    |
| <b>Total net assets</b>                                      | <b>\$ 49,718,310</b>         |

<sup>1</sup> 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.

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

\*Please note these statements are for the period ended December 31, 2012 as of December 27, 2012, the date of preparation. Due to statement preparation occurring in close proximity to month-end, these statements may not include some pending adjustments for the period.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Revenues and Expenses and Changes in Fund Net Assets*  
*December 31, 2012\**

|  | <b>Unaudited<br/>FY 2013</b> |
|--|------------------------------|
| <b>Operating revenues</b>                      |                              |
| Virginia Tobacco Commission Grants             | 5,708,878                    |
| Rental income                                  | 40,974                       |
| <b>Total operating revenues</b>                | <b>5,749,852</b>             |
| <b>Operating expenses</b> <sup>4</sup>         |                              |
| Mega Park expenses <sup>3</sup>                | 5,547                        |
| Cane Creek Centre expenses <sup>3, 5</sup>     | 74,933                       |
| Cyber Park expenses <sup>3</sup>               | 10,665                       |
| Professional fees                              | 30,492                       |
| Insurance                                      | 5,456                        |
| Other operating expenses                       | 1,566                        |
| <b>Total operating expenses</b>                | <b>128,659</b>               |
| <b>Operating income</b>                        | <b>5,621,193</b>             |
| <b>Non-operating revenues (expenses)</b>       |                              |
| Interest income                                | 270                          |
| Interest expense                               | (66,502)                     |
| <b>Total non-operating expenses, net</b>       | <b>(66,232)</b>              |
| <b>Net income before capital contributions</b> | <b>5,554,961</b>             |
| <b>Capital contributions</b>                   |                              |
| Contribution - City of Danville                | 339,363                      |
| Contribution - Pittsylvania County             | 339,363                      |
| <b>Total capital contributions</b>             | <b>678,726</b>               |
| <b>Change in net assets</b>                    | <b>6,233,687</b>             |
| <b>Net assets at July 1,</b>                   | <b>43,484,623</b>            |
| <b>Net assets at December 31,</b>              | <b>\$ 49,718,310</b>         |

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

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

<sup>5</sup> Please note that this line item includes fees of \$30,783 related to the \$7.3M bonds for Cane Creek.

*Danville-Pittsylvania Regional Industrial Facility Authority*  
*Statement of Cash Flows*  
*December 31, 2012\**

|  | <b>Unaudited<br/>FY 2013</b> |
|--|------------------------------|
| <b>Operating activities</b>  |                              |
| Receipts from grant reimbursement requests   | \$ 5,867,159                 |
| Receipts from leases   | 47,969                       |
| Payments to suppliers for goods and services   | (203,646)                    |
| <b>Net cash provided by operating activities</b>   | <b>5,711,482</b>             |
| <b>Capital and related financing activities</b>  |                              |
| Capital contributions  | 678,726                      |
| Interest paid on bonds   | (190,138)                    |
| Principal repayments on bonds  | (5,525,000)                  |
| <b>Net cash used by capital and related financing activities</b>   | <b>(5,036,412)</b>           |
| <b>Investing activities</b>  |                              |
| Interest received  | 270                          |
| <b>Net cash provided by investing activities</b>   | <b>270</b>                   |
| <b>Net increase in cash and cash equivalents</b>   | 675,340                      |
| <b>Cash and cash equivalents - beginning of year (including restricted cash)</b>                                     | <b>5,124,600</b>             |
| <b>Cash and cash equivalents - through December 31, 2012 (including restricted cash)</b>                             | <b>\$ 5,799,940</b>          |
| <b>Reconciliation of operating income before capital contributions to net cash provided by operating activities:</b> |                              |
| Operating income   | \$ 5,621,193                 |
| Changes in assets and liabilities:   |                              |
| Change in prepaids   | 9,579                        |
| Change in due from other governments   | 158,281                      |
| Change in other receivables  | 17,886                       |
| Change in accounts payable   | (84,851)                     |
| Change in unearned income  | (9,106)                      |
| Change in security deposit   | (1,500)                      |
| <b>Net cash provided by operating activities</b>   | <b>\$ 5,711,482</b>          |

| <b>Components of cash and cash equivalents at December 31, 2012:</b> |                     |
|--|---------------------|
| American National - Checking   | \$ 434,488          |
| American National - General money market                             | 1,140,092           |
| Wachovia - \$7.3M Bonds CCC Debt service fund                        | 1,307,403           |
| Wachovia - \$7.3M Bonds CCC Project fund                             | 917,750             |
| US Bank - \$11.25M Bonds Berry Hill Debt service fund                | 207                 |
| US Bank - \$11.25M Bonds Berry Hill Debt service reserve fund        | 2,000,000           |
|  | <b>\$ 5,799,940</b> |