

Danville-Pittsylvania Regional Industrial Facility Authority

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

AGENDA

December 14, 2018

8:00 A.M.

**Institute for Advanced Learning and Research
150 Slayton Avenue, Room 206
Danville, Virginia**

County of Pittsylvania Members

**Robert W. Warren, Chairman
Ronald S. Searce
Elton W. Blackstock, Alternate**

City of Danville Members

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

Staff

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

Danville-Pittsylvania Regional Industrial Facility Authority

1. MEETING CALLED TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT PERIOD

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

4. APPROVAL OF MINUTES OF THE NOVEMBER 13, 2018 MEETING

5. NEW BUSINESS

- A. Consideration of Resolution No. 2018-12-14-5A, approving the expanded role of A. Kent Shelton, P.E., as set forth in Resolutions 2017-03-13-5C and 2017-11-15-5D, to serve as the project monitor and limited inspector for the Phase I Virginia Water Line Project at the Authority's Southern Virginia Mega Site at Berry Hill project (formerly known as the Berry Hill Mega Park project), at an estimated cost of \$29,640.00 (existing hourly rate of \$38 for an estimated 780 hours of work) - Richard M. Drazenovich, P.E., Director of Public Works, City of Danville
- B. Consideration of Resolution No. 2018-12-14-5B, approving a one-year renewal of the Lease with Mountain View Farms, L.C., a Virginia limited liability company, as tenant, for that certain real property (being a portion of current GPIN 1356-80-4414) of the Authority, containing approximately 30 acres and fronting on Stateline Bridge Road, in the Authority's Southern Virginia Mega Site at Berry Hill project (formerly known as the Berry Hill Mega Park project), in Pittsylvania County, Virginia, for the purpose of planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, at a total rental fee of \$1,200; such renewal also includes a 60-day early termination right and right to show the property to business recruits of the Authority – Michael C. Guanzon, Esq. or Jennifer H. Burnett, Esq., Clement Wheatley, Legal Counsel to the Authority
- C. Consideration of Resolution No. 2018-12-14-5C, approving that certain Referral Agreement with Alliance Data Center Advisors LLC, a Virginia limited liability company, for the introduction to the Authority of certain prospective purchasers or tenants to a capital lease, at a referral fee equal to \$1,000 per Developable Acre of Land that can be feasibly developed for industrial use and economic development, payable only after the occurrence of a Recruitment Closing with that purchasers or tenants - E. Linwood Wright, Consultant, Office of Economic Development, City of Danville
- D. Consideration of Resolution No. 2018-12-14-5D, approving a logo for the Southern Virginia Mega Site at Berry Hill - Telly D. Tucker, Director of Economic Development, City of Danville *[No written resolution]*

Danville-Pittsylvania Regional Industrial Facility Authority

- E. Consideration of Resolution No. 2018-12-14-5E, approving the name change of the Southern Virginia Mega Site at Berry Hill project to be known as “Southern Virginia Megasite at Berry Hill” or “SVM” – Mr. Guanzon *[No written resolution]*
- F. Consideration of Resolution No. 2018-12-14-5F, accepting the \$1,843,540.00 bid submitted on or before November 27, 2018, from C.W. Cauley & Son, Inc., a Virginia corporation, as the lowest responsive and responsible bidder submitted for SOVA Mega Site at Berry Hill - Phase 1 Virginia Water project, as more particularly described in that certain Advertisement for Bids advertised on October 22, 2018, issued by the Authority, and being within available funds – Shawn R. Harden, P.E., Senior Associate, or Brian K. Bradner, P.E., Vice President, Dewberry Engineers Inc.
- G. Presentation of Audit of the Authority’s financial statements for year ending June 30, 2018 – Brown Edwards & Company, L.L.P.
- H. Financial Status Reports as of November 30, 2018 – Michael L. Adkins, CPA, Treasurer of the Authority, and Henrietta Weaver, CPA, City of Danville, Virginia

6. CLOSED SESSION

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

- A. As permitted by Section 2.2-3711(A)(5) of the Code of Virginia, 1950, as amended (“Virginia Code”), for discussion concerning one or more prospective businesses where no previous announcement has been made of that business’s interest in locating its facilities in one or more of the Authority’s projects located in Pittsylvania County, Virginia, and/or Danville, Virginia;
- B. As permitted by Virginia Code § 2.2-3711(A)(39) for discussion or consideration of records excluded under Virginia Code § 2.2-3705.6(3) (including without limitation (i) those certain confidential proprietary records voluntarily provided by private business pursuant to a promise of confidentiality from the Authority, and used by the Authority for business and trade development and (ii) those certain memoranda, working papers, or other information related to businesses that are considering locating or expanding in Virginia, prepared by the Authority, where competition or bargaining is involved and where disclosure of such information would adversely affect the financial interest of the Authority); such information being excluded from mandatory disclosure under Virginia Code § 2.2-3705.1(12) (information relating to the negotiation and award of a specific contract pertaining to the Authority’s Southern Virginia Mega Site at Berry Hill project, Cyber Park project and/or Cane Creek Centre project, where competition or bargaining is involved and where the release of such information would adversely affect the bargaining power or negotiating strategy of the Authority) and Virginia Code § 2.2-3705.1(8) (appraisals and cost estimates of real property in one or more of the Authority’s projects subject to a proposed purchase, sale, or lease, prior to the completion of such purchase, sale, or lease); and

Danville-Pittsylvania Regional Industrial Facility Authority

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

RETURN TO OPEN SESSION

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

7. COMMUNICATIONS FROM:

- Authority Board Members
- Staff
 - Purchase of scanner – Mr. Adkins

8. ADJOURN

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 4
Meeting Date:	12/14/2018
Subject:	Meeting Minutes
From:	Susan M. DeMasi, Authority Secretary

SUMMARY

Attached for the Board's review and approval are the Meeting Minutes from the Tuesday, November 13, 2018 meeting.

ATTACHMENT

Meeting Minutes – 11/13/18.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

The Regular Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority convened at 12:12 p.m. on the above date at the Institute for Advanced Learning and Research, 150 Slayton Drive, Room 206, Danville, Virginia. Present were City of Danville Members Vice Chairman Sherman M. Saunders, Fred O. Shanks, III and Alternate J. Lee Vogler. Pittsylvania County Members present were Chairman Robert W. Warren, Ronald S. Searce and Alternate Elton W. Blackstock.

City/County staff members attending were: City of Danville Director of Economic Development Telly Tucker, Pittsylvania County Director of Economic Development Matt Rowe, Assistant County Administrator for Planning & Development Gregory Sides, City of Danville Director of Finance Michael Adkins, City of Danville Senior Accountant Henrietta Weaver, Clement Wheatley Attorneys Michael Guanzon and Jennifer Burnette, and Secretary to the Authority Susan DeMasi. Also present were Brian Bradner and Shawn Harden from Dewberry & Davis.

PUBLIC COMMENT PERIOD

No one desired to be heard.

APPROVAL OF MINUTES OF THE OCTOBER 9, 2018 MEETING

Upon **Motion** by Mr. Saunders and **second** by Mr. Searce, Minutes of the October 9, 2018 Meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

NEW BUSINESS

5A. – CONSIDERATION OF RESOLUTION NO. 2018-11-13-5A APPROVING A GROUND LEASE WITH THE INSTITUTE FOR ADVANCED LEARNING AND RESEARCH

Clement Wheatley Attorney Jennifer Burnette explained at the August 13, 2018 meeting of RIFA, Resolution 2018-08-13-5A was adopted approving a letter agreement, approving in concept, the terms and conditions of the Authority's consent to the Institute's construction of the Gene Haas Expansion, which is now referred to internally as, the Hawkins' Expansion. With this Resolution, staff has negotiated with counsel to the Institute, the formal ground lease for the Hawkins' Expansion, and also the two amendments to the SEnTec lease and to the Charles Hawkins' lease that were necessitated by the Ground Lease. Mr. Guanzon explained the original lease for the Charles Hawkins' Building was the entire parcel, which was the building RIFA paid for and is why it was a regular lease to the Institute. When the SEnTec building came on that same parcel, they had a Ground Lease which meant the Institute owned the building but RIFA retained title to the land, because that was the grant they secured to build the structure. The expansion for the Gene Haas Center is going to be paid for by grants the Institute has secured; they are going to own the building and RIFA will retain the land underneath. Staff has the new lease for the expansion; the original lease had to be amended because the parking lot has been moved. It is the same with the SEnTec building; with SEnTec, staff not only moved the lines but also had them give up their option to purchase. Also, the land underneath is still subject to the Federal EDA Grant when RIFA first got the Institute built, RIFA has to comply with all those regulations as well.

Mr. Guanzon noted because of the EDA grant for the original lease, RIFA has to charge fair market rent, that can't be waived. RIFA was charging rent and having to pay for the

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

maintenance of the parking lot as well as the building. RIFA entered into an agreement so they would take care of this for RIFA which approximates the rent. Mr. Warren stated what RIFA is trying to do is create more high bay space so they can accommodate industries like Kyocera or Harlow.

Mr. Saunders **moved** for adoption of *Resolution No. 2018-11-13-5A, approving a Ground Lease with the Institute for Advanced Learning and Research, a political subdivision of the Commonwealth of Virginia ("IALR"), for the lease by IALR of a portion of Parcel 78360 in the Authority's Cyber Park Project and the construction thereon of the Hawkins Expansion, together with related amendments to the current leases for the SEnTeC building and the Charles Hawkins Building located in the Authority's Cyber Park Project.*

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

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

5B. CONSIDERATION OF RESOLUTION NO. 2018-11-13-5B APPROVING A LOCAL PERFORMANCE AGREEMENT WITH BGF INDUSTRIES

Pittsylvania County Director of Economic Development Matt Rowe explained this Local Performance Agreement is for the BGF Industries project which was announced on October 16th. The Company has already signed the Local Performance Agreement and the state Performance Agreement with the Commonwealth Opportunity Fund; the RIFA Board would provide an Industrial Enhancement Grant in the amount \$245,000. In addition, since the land is in the Cyber Park, which is an Enterprise Zone, the estimated Enterprise Zone incentives are \$113,750 which would be split between the City and the County; this totals about \$200,000 from each locality. The Company signed the lease agreement with the Institute and are hiring people in this facility; their expectation is to break ground in the spring. They are looking at a minimum capital investment in excess of \$7M and the creation of at least 65 new full time jobs to Virginia with an average base wage of \$75,000 and full benefits.

Mr. Rowe explained if they vacate the premises or don't designate it as their corporate headquarters for a period of less than five years, they pay RIFA \$1M; if they fail to be there at year nine, they would pay RIFA \$100,000. All monies that are given to them up front are fully securitized by an irrevocable letter of credit. There is no liability of claw back for the localities. Mr. Tucker stated initially the company requested that all incentives go toward reducing the cost of the building and Mr. Rowe explained the letter of credit will be provided so the company can get those funds up front and will go straight into the hard, fixed asset building costs. Staff believed this was best because the building cannot be moved, is on the tax role and allows RIFA to get their return on investment even faster.

Mr. Searce **moved** for adoption of *Resolution No. 2018-11-13-5B, approving that certain Local Performance Agreement with BGF Industries, Inc., a Delaware corporation, and others, under which the Authority would provide an Industrial Enhancement Grant in the amount of \$245,000 and land in the Authority's Cyber Park project in Danville, Virginia, for a ground lease for new corporate headquarters and research center; and would apply for and disburse certain state grants and state loan, in exchange for capital investments of at least \$7,000,000 and creation of 65 full-time jobs with an average yearly base wage of at least \$75,000 and other capital investments in the Cyber Park project.*

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

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

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

5C. CONSIDERATION OF RESOLUTION 2018-11-13-5C APPROVING A LOCAL PERFORMANCE AGREEMENT WITH HARLOW FASTECH LLC

City of Danville Director of Economic Development, Telly Tucker explained this item was for the Harlow project; the Company has already signed the Local Performance Agreement. Staff negotiated the \$500,000 industrial enhancement grant to be split between the two localities, \$250,000 each; that would be payable over a six or seven year period. They have leased space at the Institute for twelve months, at which time they are designing the construction of a new building on the campus of the Institute. Mr. Tucker noted the IDA has given the go-ahead to do the lease financing and sign a term sheet with Virginia Community Capital to finance the new building. Staff has received the term sheet from Virginia Community Capital to move forward with the construction of the new building. Staff is securing their investment with the Tobacco Commission and local funds with title to a significant amount of company equipment, as well as a buy back provision that has been reviewed by the attorney in the UK hired by RIFA to validate that the buyback provision is legally binding in the UK. Mr. Shanks questioned the agreement that the UK attorney has looked at, if anything went wrong that would be tried in Virginia and Mr. Guanzon noted it would not. That would be the case wherever the parent company is; RIFA could sue them here in the US, but if they don't have any assets here, then it wouldn't be worth it. Mr. Warren thanked Mr. Tucker and Mr. Rowe for their good work; this was more complicated than usual and thanked Ms. Burnette and Mr. Guanzon from Clement & Wheatley for their great work.

Mr. Shanks **moved** for adoption of Resolution 2018-11-13-5C, *approving that certain Local Performance Agreement with Harlow Fastech LLC, and others, under which the Authority would provide an Industrial Enhancement Grant in the amount of \$500,000, residential housing expenses reimbursement in the maximum amount of \$35,000, payment of the first 12 months of base rent, up to \$75,000, under a Hawkins High Bay Lease with the Institute for Advanced Learning and Research, a political subdivision of the Commonwealth of Virginia, and land in the Authority's Cyber Park project in Danville, Virginia, for a lease for a new manufacturing facility; and would apply for and disburse certain state and private grants and state loan, in exchange for capital investments of at least \$8,000,000 and creation of 49 full-time jobs with an average yearly base wage of at least \$55,000 and other capital investments in the Cyber Park project.*

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

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

5D. CONSIDERATION OF RESOLUTION 2018-11-13-5D APPROVING THAT COOPERATION AGREEMENT WITH THE IDA

Mr. Guanzon explained this was a companion resolution to the one the Board just passed for Harlow, it is an agreement between RIFA and the City IDA for the land. Once the actual

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

dimensions of the property are identified and surveyed, RIFA will convey the land to the City IDA, and the IDA would construct the facility as contemplated in the local performance agreement. There is a provision included for an option to purchase that Harlow has under the Local Performance Agreement under their lease. To ensure that RIFA has additional security above the others discussed, Virginia Community Capital and IDA will be agreeable to having a second position Deed of Trust on the property. Mr. Tucker noted because they were able to get the federal grants for the EDA to help develop this park, RIFA does have to go through certain processes in order to be able to transfer property to them to do a market rate lease. Mr. Shanks asked if this was for the company to end up owning the property and Mr. Guanzon noted it was; it would essentially be a pass-through. The amount of the rent they are paying is to pay back the financing for the building they are constructing. The purchase price will be the pay off amount. When they have fee simple title to it, they will be paying the ordinary real estate tax. Mr. Tucker noted Virginia Community Capital has agreed that the City IDA and the City will have to have a moral obligation during construction only; at the end of the construction period, the moral obligation goes away. The idea is for the company to finance the building directly with Virginia Community Capital as soon as possible, within the first couple years.

Mr. Warren stated he was glad staff has done this so RIFA can maintain control of the parks and Mr. Guanzon explained RIFA does have some control already because of the Restrictive Covenants for the Cyber Park. Moving forward, RIFA always has the ability, per deal, to have even additional restrictions on a particular parcel should it decide to and be able to negotiate that provision. Mr. Warren stated he hoped as they start with the Southern Virginia Mega Park the Board will be able to do something similar. Mr. Guanzon noted staff has had a discussion this year about looking through those Restrictive Covenants again in light of the many changes in the Authority's strategy, to see if any additional revisions need to be made.

Mr. Saunders **moved** for approval of Resolution 2018-11-13-5D, *approving that certain Cooperation Agreement with the Industrial Development Authority of Danville, Virginia, a political subdivision of the Commonwealth of Virginia (the "City IDA"), under which the Authority shall donate approximately 10.17 acres or other land located in the Authority's Cyber Park project in Danville, Virginia, in support of Resolution No. 2018-11-13-5C; such Cooperation Agreement shall include among other things, the obligation of the City IDA to record a deed of trust to secure performance by Harlow Fastech LLC, a Virginia limited liability company, under a Local Performance Agreement.*

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

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

5B. FINANCIAL STATUS REPORT AS OF OCTOBER 31, 2018

Authority Treasurer Michael Adkins gave the Financial Status report as of October 31, 2018 beginning with the Cane Creek Bonds showing no activity for the month of October. General Expenditures for FY 2019 show RIFA received \$10,000 from Southern Virginia Regional Alliance; they were helping RIFA to fund the helipad and that was received in October. \$5,000 was expended to Brown, Edwards for progress billing on the audit; that audit is nearing completion, and the Board should have a formal report on that next month. \$343 in meals and \$31 in monthly utilities were also expended. Funding Other than Bonds for the Southern

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

Virginia Mega Site show RIFA expended \$180,000 to Appalachian Power Company, that was some of the additional cost of the routing analysis and permitting to get that infrastructure service underway. Lot 4 Site Development at Berry Hill shows \$1,400 to the Treasurer of Virginia for a construction permit modification. Lot 8 Site Development shows no activity, and Water and Sewer at Berry Hill shows \$700 to the Treasurer of Virginia for permit modifications related to the Stormwater. Rent, Interest and Other Income for October shows \$27,272 received from the Institute representing the September and October maintenance fee for the Hawkins' Building, \$425 in Interest Income and \$13,636 paid to the Institute for the Hawkins' Building Management Fee.

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

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

6. CLOSED SESSION

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

At 12:45 p.m. Mr. Saunders **moved** that the Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority be recessed in a Closed Meeting for the following purposes:

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

B. As permitted by Virginia Code § 2.2-3711(A)(39) for discussion or consideration of records excluded under Virginia Code § 2.2-3705.6(3) (including without limitation (i) those certain confidential proprietary records voluntarily provided by private business pursuant to a promise of confidentiality from the Authority, and used by the Authority for business and trade development and (ii) those certain memoranda, working papers, or other information related to businesses that are considering locating or expanding in Virginia, prepared by the Authority, where competition or bargaining is involved and where disclosure of such information would adversely affect the financial interest of the Authority); such information being excluded from mandatory disclosure under Virginia Code §2.2-3705.1(12) (information relating to the negotiation and award of a specific contract pertaining to the Authority's Berry Hill Mega Site project where competition or bargaining is involved and where the release of such information would adversely affect the bargaining power or negotiating strategy of the Authority) and Virginia Code § 2.2-3705.1(8) (appraisals and cost estimates of real property in the Authority's Berry Hill Mega Site project subject to a proposed purchase, sale, or lease, prior to the completion of such purchase, sale, or lease); and

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

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

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

D. On **Motion** by Mr. Searce and **second** by Mr. Shanks and by unanimous vote at 2:00 p.m., the Authority returned to open meeting.

E. Mr. Searce **moved** for 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. Saunders and carried by the following vote:

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

7. COMMUNICATIONS

Board Members thanked staff, including Dewberry, for the hard work they are doing. Mr. Blackstock noted Mr. Dewberry was originally from Hurt, his nephew was an engineer in Texas and was tragically killed last week.

Mr. Tucker noted approximately two meetings ago, the Board officially adopted the name, Southern Virginia Mega Site at Berry Hill and instructed staff to proceed with getting concepts for a logo and gateway signage to brand the park. Staff used the same process they used for the joint logo, with an online competition. They had approximately seventy submittals, evaluated them, and narrowed it down to the top two or three, and would like to get feedback from the Board. After discussion, the Board decided on Option #2 with same color scheme as the joint logo. Mr. Tucker noted staff will work with the designer, taking Board member's comments about the colors, to refine the design and bring the final design back to the Board at the December meeting.

Mr. Guanzon noted the County has adopted, under certain circumstances, where people can participate by conference call for a meeting. Staff discussed this in a pre-RIFA meeting, and Ms. Burnette explained members can only attend a meeting via electronic means if the Board

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

Minutes

November 13, 2018

member cannot attend due to a temporary or permanent disability or other medical condition that would prevent physical attendance. They can attend due to a personal matter but they have to identify with specificity the nature of the personal matter and that participation is only limited each calendar year to two meetings; or if the personal residence is more than sixty miles from the meeting location. RIFA would have to adopt a written policy that governs participation of members by electronic means including an approval process. Also, the remote participant cannot be counted for the quorum; there would have to be a quorum of the RIFA members physically assembled at a primary location. It would have to be recorded in the minutes whether the Board approved or disapproved attendance by electronic means and would have to be specific about what the personal matter is; it becomes part of the official record. Mr. Guanzon stated their recommendation is that the Board does not adopt this. The County does not have any alternate supervisors, the RIFA Board does have alternate directors for this purpose. For quorum requirements there has to be three members present, of which the City or County is represented with one or two members. If one member wanted to participate because they were out of town, they could now, listen in on the phone and give comments, but would not be able to vote.

Mr. Warren noted there could be a situation where Mr. Blackstock and himself could not be present; there could be something that comes up that the County agreed with and the City didn't. It could be two to one. Mr. Guanzon stated the other alternate could just not show up and there wouldn't be a quorum. Mr. Guanzon stated the benefits of having this are very limited, it will cause more problems by trying to implement this type of policy. Mr. Warren stated he did like the idea of being able to call in, hear and share their opinions and ideas, whether they could be there or not. Mr. Blackstock stated they are flexible enough as a group, if they had to change a meeting date, they could. In response to Mr. Saunders, Mr. Guanzon explained it would be the same for a closed meeting; a Board member could call in and participate in the closed session discussion. Mr. Saunders noted his concern with confidentiality in closed session if someone calls in. Mr. Warren noted the Board should have something that if someone calls in that is going to participate in closed session, they certify that they are alone in the room. Mr. Warren noted he was good with leaving things as they were and Board members noted their agreement.

Meeting adjourned at 2:23 p.m.

Chairman

Secretary to the Authority

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.: Item 5A

Meeting Date: 12/14/2018

Subject: Resolution 2018-12-14-5A, Approving Role of Kent Shelton

From: Richard M. Drazenovich, PE, Director of Public Works
City of Danville

SUMMARY

The Board will be asked to approve Resolution 2018-12-14-5A approving the expanded role of A. Kent Shelton as the project monitor and limited inspector for the Phase I Water Line Project at Southern Virginia Mega Site at Berry Hill.

ATTACHMENT

Resolution 2018-12-14-5A

A RESOLUTION APPROVING THE EXPANDED ROLE OF A. KENT SHELTON, P.E., AS SET FORTH IN RESOLUTIONS 2017-03-13-5C AND 2017-11-15-5D, TO SERVE AS THE PROJECT MONITOR AND LIMITED INSPECTOR FOR THE PHASE I VIRGINIA WATER LINE PROJECT AT THE AUTHORITY’S SOUTHERN VIRGINIA MEGA SITE AT BERRY HILL PROJECT (FORMERLY KNOWN AS THE BERRY HILL MEGA PARK PROJECT), AT AN ESTIMATED COST OF \$29,640.00 (EXISTING HOURLY RATE OF \$38 FOR AN ESTIMATED 780 HOURS OF WORK)

WHEREAS, the Danville-Pittsylvania Regional Industrial Facility Authority (the “**Authority**”) is a political subdivision of the Commonwealth of Virginia duly created pursuant to the Virginia Regional Industrial Facilities Act (Virginia Code §§ 15.2-6400 *et seq.*) as amended; and

WHEREAS, the Authority adopted Resolution 2017-03-13-5C, approving the assignment of A. Kent Shelton, P.E. (“**Shelton**”), whom the City of Danville, Virginia (the “**City**”), had retained as an independent contractor for professional engineering services for the City, as the project monitor for the Authority’s Phase 1 Grading Pads Project at the Berry Hill Mega Park project; and the costs of such services are acknowledged by the Authority as an in-kind service contribution by the City, to be shown on the “due to/due from” balance sheet between the Locality Members of the Authority, at an hourly rate of \$38 (estimated to be approximately \$23,712 for the duration of the project) plus travel expenses; and

WHEREAS, the Authority adopted Resolution 2017-11-15-5D, approving the expansion of the scope of the professional engineering services provided by Shelton to the Authority’s Phase 1 Sewer Infrastructure Project at the Berry Hill Mega Park project; and the costs of such services are acknowledged by the Authority as an in-kind service contribution by the City, to be shown on the “due to/due from” balance sheet between the Locality Members of the Authority, at an hourly rate of \$38 (estimated to be approximately \$39,520.00 for the duration of the project) plus travel expenses; and

WHEREAS, the Authority’s Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill (formerly known as the Berry Hill Mega Park) project also requires the same professional engineering services to monitor and to inspect the project for quality control, permit compliance, testing, meetings with the contractor’s superintendent and other items for oversight (collectively, “**Observation Services**”); and

WHEREAS, Shelton is willing (i) to expand the scope of his Observation Services to include the Phase I Virginia Water Line Project and (ii) to perform limited inspection of the Phase I Virginia Water Line Project from the North Carolina state line to Oak Hill Road (collectively, “**Limited Inspection Services**”), at the same rate of \$38 per hour (estimated to be approximately \$29,640.00 for the duration of the project, based on an estimated 780 hours of work) plus reimbursement of reasonable travel expenses; and

WHEREAS, the City, as a member locality of the Authority, is agreeable to making an in-kind service contribution of Shelton’s expanded Observation Services and Limited Inspection Services to the Authority; and

WHEREAS, the Authority has determined that the proposed in-kind service contribution by the City is necessary and reasonable for furtherance of the Authority's Phase I Virginia Water Line Project and the advancement of the development of its Southern Virginia Mega Site at Berry Hill project.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby approves the assignment of Shelton as the project monitor for the Authority's Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill (formerly known as the Berry Hill Mega Park) project, to provide Observation Services and Limited Inspection Services.

2. The Authority hereby approves that the Observation Services and the Limited Inspection Services provided by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project shall be acknowledged as, and deemed to be, an in-kind service contribution by the City, to be shown on the "Due to/Due From" balance sheet between the locality members of the Authority. The amount of the contribution shall be equal to the payments made by the City to Shelton for the Observation Services and the Limited Inspection Services for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project at a rate of \$38 per hour plus reimbursement of reasonable travel expenses.

3. The Authority hereby authorizes the Chairman and the Vice Chairman, either of whom may act independently of the other, to execute and to deliver such other documents in connection with the in-kind service contribution by the City pertaining to Observation Services and Limited Inspection Services by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project, as may be approved by the Chairman (or the Vice Chairman as the case may be), such execution by the Chairman (or the Vice Chairman as the case may be) to conclusively establish his approval of such other documents.

4. The Authority hereby authorizes and directs the Treasurer of the Authority to acknowledge the in-kind service contribution by the City pertaining to Observation Services and Limited Inspection Services by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project as set forth in this Resolution.

5. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, its agents and representatives, in respect to the in-kind service contribution by the City pertaining to Observation Services and Limited Inspection Services by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project and the matters contemplated in this Resolution.

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

- # -

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on December 14, 2018, 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 December 2018.

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

(SEAL)

THIS THIRD AMENDMENT (this "**Third Amendment**"), made and entered into as of the 10th day of December 2018, by and between **A. KENT SHELTON, P.E. ("Kent")**; and the **CITY OF DANVILLE, VIRGINIA**, a Virginia municipal corporation (the "**City**");

W I T N E S S E T H :

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Recitals. The parties recite the following facts:

a. The parties entered into that certain Professional Services Agreement effective July 1, 2015, as amended by that certain First Amendment dated March 13, 2017, and by that certain Second Amendment dated November 15, 2017 (collectively, the "**Service Agreement**"), under which Kent is retained by the City as an independent contractor/consultant.

b. The City is a member locality of the Danville Pittsylvania Regional Industrial Facility Authority, a political subdivision of the Commonwealth of Virginia ("**RIFA**").

c. By RIFA Resolution 2018-12-10-5A, a copy of which is attached hereto as **Schedule 1(c)**, and incorporated herein by this reference, RIFA approved the assignment of Kent as the project monitor for RIFA's Phase 1 Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill (formerly known as the Berry Hill Industrial Park), to perform certain observation services and limited inspection services to or for RIFA.

d. The parties enter into this Third Amendment to further amend the Service Agreement to add the professional services to the work that Kent will perform under the terms and conditions below.

2. Observation Services. The Service Agreement is hereby further amended to provide that Kent shall provide Observation Services for limited project observation of the Southern Virginia Mega Site at Berry Hill Phase 1 Virginia Water Line Project (the "**Virginia Water Line Project**"). Moreover, Observation Services for the Virginia Water Line Project shall also include daily site visits for an average of four hours per day, including travel time, to observe the work, meet with the contractor's superintendent, and perform random inspections. A diary and inspection report shall be kept by Kent to record the site visits.

3. Limited Inspection Services. The Service Agreement is hereby further amended to provide that Kent shall perform limited inspection of the Virginia Water Line Project from the North Carolina state line to Oak Hill Road (collectively, "**Limited Inspection Services**").

4. Compensation. In consideration for Observation Services and Limited Inspection Services rendered by Kent, the City shall pay Ken at a rate of Thirty Eight Dollars

(\$38) per hour, plus travel expense reimbursement at a rate of Fifty Three Cents (\$0.53) per mile. Such compensation shall be subject to withholdings as required by law and as may be requested in writing by Kent. It is estimated that based on a nine (9) month construction period for the Virginia Water Line Project, the aggregate amount of Observation Services and Limited Inspection Services for the Virginia Water Line Project shall be approximately 780 hours. Kent shall submit to the City invoices for Observation Services and Limited Inspection Services in the same manner set forth in the Service Agreement.

5. Termination of Observation Services and Limited Inspection Services. The parties acknowledge that RIFA may change the scope and schedule of the Virginia Water Line Project from time to time. Accordingly, without terminating the Service Agreement as further amended by this Third Amendment, the City shall have the right to immediately direct Kent to cease work on the Virginia Water Line Project, in which case Kent shall be entitled to compensation and expense reimbursement which accrued prior to the City exercising such right.

6. Effect on the Service Agreement. Except as further amended in this Third Amendment, all other terms, provisions, and conditions of the Service Agreement shall remain in full force and effect, and the parties ratify and confirm that the Service Agreement, as further amended by this Third Amendment, is and remains in full force and effect.

[SIGNATURES ON FOLLOWING PAGE.]

WITNESS our signatures to this **THIRD AMENDMENT** as of the date first above written:

CITY:

CITY OF DANVILLE, VIRGINIA, a Virginia
municipal corporation

By: _____

Richard Drazenovich, P.E.
Director of Public Works

By: _____

Kenneth F. Larking
City Manager

Approved as to form:

W. CLARKE WHITFIELD, JR.

City Attorney
City of Danville, Virginia

KENT:

A. KENT SHELTON, P.E.

Schedule 1(c)
(RIFA Resolution 2018-12-10-5A)

A RESOLUTION APPROVING THE EXPANDED ROLE OF A. KENT SHELTON, P.E., AS SET FORTH IN RESOLUTIONS 2017-03-13-5C AND 2017-11-15-5D, TO SERVE AS THE PROJECT MONITOR AND LIMITED INSPECTOR FOR THE PHASE I VIRGINIA WATER LINE PROJECT AT THE AUTHORITY'S SOUTHERN VIRGINIA MEGA SITE AT BERRY HILL PROJECT (FORMERLY KNOWN AS THE BERRY HILL MEGA PARK PROJECT), AT AN ESTIMATED COST OF \$29,640.00 (EXISTING HOURLY RATE OF \$38 FOR AN ESTIMATED 780 HOURS OF WORK)

WHEREAS, the Danville-Pittsylvania Regional Industrial Facility Authority (the “**Authority**”) is a political subdivision of the Commonwealth of Virginia duly created pursuant to the Virginia Regional Industrial Facilities Act (Virginia Code §§ 15.2-6400 *et seq.*) as amended; and

WHEREAS, the Authority adopted Resolution 2017-03-13-5C, approving the assignment of A. Kent Shelton, P.E. (“**Shelton**”), whom the City of Danville, Virginia (the “**City**”), had retained as an independent contractor for professional engineering services for the City, as the project monitor for the Authority’s Phase 1 Grading Pads Project at the Berry Hill Mega Park project; and the costs of such services are acknowledged by the Authority as an in-kind service contribution by the City, to be shown on the “due to/due from” balance sheet between the Locality Members of the Authority, at an hourly rate of \$38 (estimated to be approximately \$23,712 for the duration of the project) plus travel expenses; and

WHEREAS, the Authority adopted Resolution 2017-11-15-5D, approving the expansion of the scope of the professional engineering services provided by Shelton to the Authority’s Phase 1 Sewer Infrastructure Project at the Berry Hill Mega Park project; and the costs of such services are acknowledged by the Authority as an in-kind service contribution by the City, to be shown on the “due to/due from” balance sheet between the Locality Members of the Authority, at an hourly rate of \$38 (estimated to be approximately \$39,520.00 for the duration of the project) plus travel expenses; and

WHEREAS, the Authority’s Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill (formerly known as the Berry Hill Mega Park) project also requires the same professional engineering services to monitor and to inspect the project for quality control, permit compliance, testing, meetings with the contractor’s superintendent and other items for oversight (collectively, “**Observation Services**”); and

WHEREAS, Shelton is willing (i) to expand the scope of his Observation Services to include the Phase I Virginia Water Line Project and (ii) to perform limited inspection of the Phase I Virginia Water Line Project from the North Carolina state line to Oak Hill Road (collectively, “**Limited Inspection Services**”), at the same rate of \$38 per hour (estimated to be approximately \$29,640.00 for the duration of the project, based on an estimated 780 hours of work) plus reimbursement of reasonable travel expenses; and

WHEREAS, the City, as a member locality of the Authority, is agreeable to making an in-kind service contribution of Shelton’s expanded Observation Services and Limited Inspection Services to the Authority; and

WHEREAS, the Authority has determined that the proposed in-kind service contribution by the City is necessary and reasonable for furtherance of the Authority's Phase I Virginia Water Line Project and the advancement of the development of its Southern Virginia Mega Site at Berry Hill project.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby approves the assignment of Shelton as the project monitor for the Authority's Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill (formerly known as the Berry Hill Mega Park) project, to provide Observation Services and Limited Inspection Services.
2. The Authority hereby approves that the Observation Services and the Limited Inspection Services provided by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project shall be acknowledged as, and deemed to be, an in-kind service contribution by the City, to be shown on the "Due to/Due From" balance sheet between the locality members of the Authority. The amount of the contribution shall be equal to the payments made by the City to Shelton for the Observation Services and the Limited Inspection Services for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project at a rate of \$38 per hour plus reimbursement of reasonable travel expenses.
3. The Authority hereby authorizes the Chairman and the Vice Chairman, either of whom may act independently of the other, to execute and to deliver such other documents in connection with the in-kind service contribution by the City pertaining to Observation Services and Limited Inspection Services by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project, as may be approved by the Chairman (or the Vice Chairman as the case may be), such execution by the Chairman (or the Vice Chairman as the case may be) to conclusively establish his approval of such other documents.
4. The Authority hereby authorizes and directs the Treasurer of the Authority to acknowledge the in-kind service contribution by the City pertaining to Observation Services and Limited Inspection Services by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project as set forth in this Resolution.
5. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, its agents and representatives, in respect to the in-kind service contribution by the City pertaining to Observation Services and Limited Inspection Services by Shelton for the Phase I Virginia Water Line Project at the Southern Virginia Mega Site at Berry Hill project and the matters contemplated in this Resolution.
6. 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 special meeting duly called and held on December 10, 2018, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

WITNESS my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this 10th day of December 2018.

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

(SEAL)

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.: Item 5B

Meeting Date: 12/14/2018

Subject: Resolution 2018-12-14-5B, approving a one-year renewal of the Lease with Mountain View Farms.

From: Jennifer H. Burnett, Esq. or Michael C. Guanzon, Esq.
Clement Wheatley

SUMMARY

The Board will be asked to approve Resolution 2018-12-14-5B, approving a one year renewal of the Lease with Mountain View Farms, L.C.

ATTACHMENT

Resolution 2018-12-14-5B

Resolution No. 2018-12-14-5B

A RESOLUTION APPROVING A ONE-YEAR RENEWAL OF THE LEASE WITH MOUNTAIN VIEW FARMS OF VIRGINIA, L.C., A VIRGINIA LIMITED LIABILITY COMPANY, AS TENANT, FOR THAT CERTAIN REAL PROPERTY (BEING A PORTION OF CURRENT GPIN 1356-80-4414) OF THE AUTHORITY, CONTAINING APPROXIMATELY 30 ACRES AND FRONTING ON STATELINE BRIDGE ROAD, IN THE AUTHORITY'S SOUTHERN VIRGINIA MEGA SITE AT BERRY HILL (FORMERLY KNOWN AS BERRY HILL MEGA PARK) PROJECT, IN PITTSYLVANIA COUNTY, VIRGINIA, FOR THE PURPOSE OF PLANTING AND HARVESTING SOD, SOYBEANS, AND/OR OTHER COVER CROPS, BUT NOT TOBACCO, AT A TOTAL RENTAL FEE OF \$1,200; SUCH RENEWAL ALSO INCLUDES A 60-DAY EARLY TERMINATION RIGHT AND RIGHT TO SHOW THE PROPERTY TO BUSINESS RECRUITS OF THE AUTHORITY

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

WHEREAS, Mountain View Farms of Virginia, L.C., a Virginia limited liability company (“**Mountain View**”), entered into that certain Lease Agreement with the Authority, dated as of January 15, 2012, as last renewed by that certain 2018 Lease Renewal Agreement dated as of January 1, 2018 (the “**Current Lease**”), to lease certain real property (being a portion of current GPIN 1356-80-4414; former GPIN was 1356-75-8216) of the Authority, containing approximately thirty (30) acres and fronting on Stateline Bridge Road, in Pittsylvania County, Virginia (the “**Property**”), for the extended period beginning on January 1, 2018 and ending on December 31, 2018, for planting and harvesting sod, soybeans, and/or other cover crops, but not tobacco, and any other purposes approved by the Authority, for a total rental fee of One Thousand Two Hundred and 00/100 Dollars (\$1,200.00); and

WHEREAS, Mountain View desires to renew the Current Lease, which shall otherwise expire on December 31, 2018, for an additional one (1) year term beginning on January 1, 2019 and ending on December 31, 2019; and consistent with similar leases by the Authority, the Authority shall have a 60-day early termination right and the right to show the Property to business recruits, the identities of whom Mountain View would keep confidential until a public announcement is made by the Authority; and

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

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

Resolution No. 2018-12-14-5B

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

NOW, THEREFORE, BE IT RESOLVED, that

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

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

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

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

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on December 14, 2018, 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 December 2018.

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

(SEAL)

Resolution No. 2018-12-14-5B

Exhibit A 2019 LEASE RENEWAL AGREEMENT

THIS 2019 LEASE RENEWAL AGREEMENT (this “**Lease Renewal**”) is made as of the 1st day of January 2019, by and between **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia (“**Landlord**”); and **MOUNTAIN VIEW FARMS OF VIRGINIA, L.C.**, a Virginia limited liability company (“**Tenant**”).

W I T N E S S E T H :

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

Section 1 – Recitals. The parties recite the following: Landlord and Tenant entered into that certain Lease Agreement dated as of January 15, 2012 (the “**Lease**”), as last extended by that certain 2018 Lease Renewal Agreement dated as of January 1, 2018, for lease of the Property, for the extended period beginning January 1, 2018 and ending on December 31, 2018 (the “**Current Extended Term**”). Landlord and Tenant desire to enter into this Lease Renewal to further extend the term of the Lease and to amend the Base Rent. The current GPIN for the Property (as defined in the Lease) is 1356-80-4414.

Section 2 – Renewal Term. Following the end of the Current Extended Term, the term of the Lease shall continue for a term beginning on January 1, 2019 and ending on December 31, 2019 (the “**Renewal Term**”), unless sooner terminated as provided in the Lease. Prior to the end of the Renewal Term set forth herein, Landlord shall have the right to terminate the Lease upon giving at least sixty (60) days prior written notice to Tenant, in which event Landlord shall reimburse Tenant for a pro rata portion of the Base Rent covering the period between the date of termination and December 31, 2019.

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

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

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

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

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

[SIGNATURES ON FOLLOWING PAGE.]

Resolution No. 2018-12-14-5B

WITNESS the following signatures to this **2019 LEASE RENEWAL AGREEMENT**:

Landlord:

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

Tenant:

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

By: _____
_____, Chairman

By: _____
Title: _____

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.: Item 5C

Meeting Date: 12/14/2018

Subject: Resolution 2018-12-14-5C, approving a Referral Agreement with Alliance Data Center Advisors LLC.

From: E. Linwood Wright, Consultant, Office of Economic Development
City of Danville

SUMMARY

The Board will be asked to approve Resolution 2018-12-14-5C, approving a Referral Agreement with Alliance Data Center Advisors LLC.

ATTACHMENT

Resolution 2018-12-14-5C

Exhibit A

A RESOLUTION APPROVING THAT CERTAIN REFERRAL AGREEMENT WITH ALLIANCE DATA CENTER ADVISORS LLC, A VIRGINIA LIMITED LIABILITY COMPANY, FOR THE INTRODUCTION TO THE AUTHORITY OF CERTAIN PROSPECTIVE PURCHASERS OR TENANTS TO A CAPITAL LEASE, AT A REFERRAL FEE EQUAL TO \$1,000 PER DEVELOPABLE ACRE OF LAND THAT CAN BE FEASIBLY DEVELOPED FOR INDUSTRIAL USE AND ECONOMIC DEVELOPMENT, PAYABLE ONLY AFTER THE OCCURRENCE OF A RECRUITMENT CLOSING WITH THAT PURCHASERS OR TENANTS

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

WHEREAS, the Authority, the City of Danville, Virginia (the “**City**”), and the County of Pittsylvania County, Virginia (the “**County**”), in order to stimulate economic growth and development of the community by creating jobs and infrastructure, have agreed to provide incentives to new and expanding businesses which conduct industrial activity; and

WHEREAS, the Authority has determined that to better locate such potential new and expanding businesses, the Authority desires to secure certain referral services, that Alliance Data Center Advisors LLC, a Virginia limited liability company (the “**Referrer**”), offers; and

WHEREAS, the Referrer agrees to have the non-exclusive right to introduce to the Authority, certain prospective purchasers or tenants to a capital lease whom the Authority has an interest in pursuing discussions. Such introduction shall include the Referrer, at its expense, accompanying such prospect to a site visit to one or more of the Authority’s projects in Virginia; and

WHEREAS, in the event that a Recruitment Closing occurs, where the Authority executes a contract (other than a letter of intent or a nondisclosure agreement) with a prospect introduced by the Referrer, the Authority would pay to the Referrer a Referral Fee equal to One Thousand and 00/100 Dollars (\$1,000.00) per developable acre of land that can be feasibly developed for industrial use and economic development, as more particularly set forth in that certain Referral Agreement (the “**Referral Agreement**”) shown on **Exhibit A**, attached hereto and incorporated herein by this reference; and

WHEREAS, under the Referral Agreement, the term shall be for a period of one (1) year, terminable by either party with at least thirty (30) days written notice; and

WHEREAS, the Board of Directors of the Authority has determined that it is in the best interests of the Authority and the citizens of the City and the County, and in furtherance of the development of the Authority’s projects for the Authority to approve and to enter into and to deliver the Referral Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY, THAT:

1. The Authority hereby approves the form of the Referral Agreement as set forth in **Exhibit A** and as reviewed at this meeting.

2. The Authority hereby authorizes the Chairman and the Vice Chairman of the Authority, either of whom may act independently of the other, on behalf of the Authority to execute and to deliver, on behalf of the Authority, the Referral Agreement.

3. The Authority further authorizes those certain amendments, deletions or additions to the Referral Agreement as may be approved by the Chairman or the Vice Chairman, the execution of which by the Chairman (or Vice Chairman as the case may be) shall conclusively establish his approval of any amendments, deletions or additions thereto.

4. 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 Referral Agreement as may be executed and delivered by the Chairman (or Vice Chairman as the case may be), or as such staff, agents and representatives in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions.

5. The Authority hereby approves, ratifies and confirms any and all actions previously taken by the Authority, its agents and representatives, in respect to the Referral Agreement and the matters contemplated therein or related thereto, including without limitation any confidentiality agreement, letter of intent or other document related to the Referral Agreement dated on before the date of this Resolution is adopted.

6. 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 regular meeting duly called and held on December 14, 2018, 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 as of the 14th day of December 2018.

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

(SEAL)

Exhibit A
(Form of Referral Agreement)



REFERRAL AGREEMENT

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

&

ALLIANCE DATA CENTER ADVISORS LLC

This Referral Fee Agreement (hereinafter the "Agreement") is made as of _____, 2018, by and between Alliance Data Center Advisors LLC, a Virginia limited liability company, with an office at 1225 Ansley Ave. SW, Vero Beach, FL 32968 (hereinafter referred to as "Referrer") and Danville-Pittsylvania Regional Industrial Facility Authority, a political subdivision of the Commonwealth of Virginia (hereinafter referred to as "Owner") (each a "Party" and together the "Parties").

WHEREAS, Owner is in the business of attracting new business to the City of Danville, VA, and to the County of Pittsylvania County, VA.

WHEREAS, Referrer has introduced a purchaser, for the Owner's consideration.

NOW, THEREFORE, in consideration of the promises and covenants contained herein, the Parties agree as follows:

1. TERM AND TERMINATION.

The term of this Agreement shall commence on the Effective Date and shall continue in full force and until December 31, 2019, unless sooner terminated by either Party upon by giving at least 30 days written notice to the other Party.

2. NON-EXCLUSIVITY.

For the term of this Agreement, Referrer shall have the non-exclusive right to introduce prospective purchasers or tenants to a capital lease (in either case, a "Prospect") to the Owner whom the Owner is not engaged.

3. FEES AND PAYMENT.

This Agreement contemplates an introduction only, which shall include the Referrer, at its sole expense, accompanying the Prospect to a site visit in Danville or Pittsylvania



County, Virginia, as the case may be, pursuant to an invitation from the Owner in the Owner's sole and absolute discretion.

At the Recruitment Closing (as hereinafter defined), the Referrer shall be paid a Referral Fee equal to \$1,000 per Developable Acre of Land (as hereinafter defined) placed under a sales contract, option contract, or license/lease arrangement with the Owner or with any one or more government affiliate of its member localities (the "Owner Parties"). A "Developable acre of Land" shall mean land that can be feasibly developed for industrial use and economic development. The "Recruitment Closing" shall mean that a contract, other than a letter of intent or a nondisclosure agreement, is executed by one or more of the Owner Parties and the Prospect (or its affiliates). After the Recruitment Closing for a Prospect occurs, should the contract then be amended to increase the number of Developable Acres of Land, the Referral Fee shall be recalculated and shall be payable and due to the Referrer on the effective date of such amendment, less the amount of the Referral Fee previously paid to the Referrer at the previous Recruitment Closing for that Prospect.

Should the Recruitment Closing or an amendment on the number of Developable Acres of Land (as the case may be) not occur on or before a date that is one year after the expiration or termination of this Agreement, the Referrer shall not be entitled to a Referral Fee or recalculation thereof.

The Owner shall have the right to reject or decline any Prospect introduced by the Referrer. The Owner shall be under no obligation whatsoever to enter into a contract or other arrangement that shall result or would likely result in a Recruitment Closing.

4. CONFIDENTIALITY OF PROSPECT'S IDENTITY AND/OR SITE VISIT.

Until the Recruitment Closing occurs or a public announcement is made by the Owner or any one or more of Owner Parties, or unless approved in advance and in writing by the Owner (which approval may be withheld or conditioned in the Owner's sole and absolute discretion), the Referrer shall keep strictly confidential (i) the Prospect's identity as a prospective purchaser or tenant and (ii) if applicable, the Prospect's site visit to the Owner's real property. The Referrer shall limit the disclosure of such confidential information to those permitted third parties who have a legitimate need to know and who are bound in writing to observe the confidentiality obligations of this Agreement or similarly stringent provisions.

At the reasonable request of the Owner, the Referrer shall enter into a confidentiality and non-disclosure agreement with respect to certain confidential and/or proprietary information belonging to the Owner, including without limitation upfit, renovation, and

construction costs, grant funding, budget, other costs and financial information related to the subject matter of the Recruitment Closing.

5. NO AUTHORITY TO ACT ON BEHALF OF THE OWNER OR OWNER PARTIES

The Referrer shall have no right or authority to negotiate, conclude or execute any contract or legal document with the Prospect or any third person in the name of the Owner or any of the Owner Parties; to assume, create, or incur any liability of any kind, express or implied, against or in the name of the Owner or any of the Owner Parties; to make any warranties, expressed or implied, as to the real property of the Owner or of the Owner Parties, the recruitment incentives that may be the subject matter, in part or in whole, of the Recruitment Closing; or to otherwise act as the representative of the Owner or any of the Owner Parties, unless expressly authorized in writing the Owner or such other Owner Parties.

The Referrer shall indemnify and hold harmless the Owner, the Owner Parties and their respective, officers, directors, employees and agents from and against any and all third-party claims, actions, losses, damages, liability, costs and expenses (including, without limitation, reasonable attorneys' fees) arising out of or in connection with the Referrer's breach of this paragraph 5. The provisions of this paragraph 5 shall specifically and without limitation survive the termination or expiration of this Agreement for whatever reason.

Miscellaneous.

6. Relationship Between the Parties. Each Party's relationship with the other is that of independent contractor. Nothing contained herein creates an agency, partnership, joint venture or similar business relationship between Owner and referrer. No employee will be considered an employee of the other for any purpose.
7. Use of Name. Owner and its employees, agents and representatives will not, without Referrer's prior written consent in each instance, use in advertising, publicity or other promotional endeavor, the name of Referrer or any of Referrer's affiliates, or any officer or employee of Referrer, or any trade name, trademark, trade device, service mark, symbol or any abbreviation, contraction or simulation thereof used by Referrer or its affiliates; or represent, directly or indirectly, that any product or service provided by Owner has been approved or endorsed by Owner, or refer to the existence of this Agreement in press releases, advertising or materials distributed to Owner's prospective customers. However, nothing in this Agreement shall be deemed to prohibit the Owner and its employees, agents and representatives from public disclosure of the identity

of the Referrer, this Agreement or other information not otherwise exempt under the Virginia Freedom Of Information Act, Virginia Code §§ 2.2-3700 *et seq.*

8. Force Majeure. Referrer shall not be held responsible nor be deemed to be in default under this Agreement for any delay in performance or failure in performance of any of its obligations hereunder if such delay or failure is the result of causes beyond the control of Referrer.
9. Governing Law. This Agreement, its subject matter and the Parties' respective rights and obligations hereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, without giving effect to principles regarding conflicts of law. The Parties hereby submit to the exclusive jurisdiction of the state court located in Pittsylvania County, Virginia, or the U.S. District Court for the Western District of Virginia (Danville Division), in any action or proceeding arising out of, or related to this Agreement, and the Parties hereby agree that all claims in respect of any action or proceeding shall be heard or determined only in either of these courts. The Parties agree that a final judgment in any action or proceeding shall, to the extent permitted by applicable law, be conclusive and may be enforced in other jurisdictions by suit on the judgment, or in any other manner provided by applicable law related to the enforcement of judgments. If any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burden of proof shall arise favoring or disfavoring any Party by virtue of authorship of any of the provisions of this Agreement.
10. Modification, Amendment and Waiver; Benefit. There are no understandings, agreements or representations, express or implied, with respect to the subject matter hereof not specified herein. This Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived in whole or in part, except by a writing executed by both Parties. This Agreement will inure to the benefit of Referrer, Owner, and the successors and the permitted assignee of each.
11. Assignment. Referrer may assign this Agreement, and/or any rights and/or obligations hereunder upon written notice and without the consent of Owner to any (i) subsidiary or affiliate of Referrer, or (ii) successor pursuant to a merger, consolidation, sale of all or substantially all of its assets. Owner shall not assign this Agreement, and/or any rights and/or obligations hereunder without

Referrer's prior written consent. Any attempted assignment in violation of this paragraph 11 shall be void ab initio.

12. Authority. Both Referrer and Owner have full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each has been properly authorized and empowered to enter into this Agreement. EACH PARTY FURTHER ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT, UNDERSTANDS IT, AND AGREES TO BE BOUND BY IT.
13. Non-waiver. No waiver of any term or condition of this Agreement by any Party shall be deemed a continuing or further waiver of the same term or condition or a waiver of any other term or condition of this Agreement.
14. Attorneys' Fees. Each of the Parties shall be solely responsible for their respective attorneys' fees in the negotiating, drafting, and execution of this Agreement and any of the transactions contemplated hereby.
15. Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.
16. Entire Agreement. This Agreement contains the entire agreement and understanding of the Parties with respect to the transactions contemplated hereby; and this Agreement supersedes all prior understandings and agreements of the Parties with respect to the subject matter hereof.
17. Survival. Any termination, cancellation or expiration of this Agreement notwithstanding, provisions which are by their terms intended to survive and continue shall so survive and continue.
18. Counterparts. This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement.
19. No Third-Party Beneficiaries. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or legal entity not a Party.

[SIGNATURES ON FOLLOWING PAGE.]



IN WITNESS WHEREOF, the Parties hereto have duly executed this Referral Agreement as of the Effective Date.

OWNER:

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

BY: _____ DATED: _____
Robert W. Warren, Chairman
Address: 427 Patton Street, P.O. Box 3300 (zip code 24543), Danville, VA 24541

REFERRER:

ALLIANCE DATA CENTER ADVISORS LLC, a Virginia limited liability company

BY: _____ DATED: _____
Gabriel J. Crawford, Member

BY: _____ DATED: _____
Charles W. Henryon, Member
Address: 1225 Ansley Ave. SW, Vero Beach, FL 32968

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.: Item 5D

Meeting Date: 12/14/2018

Subject: Resolution 2018-12-14-5D, Approving a Logo for the Southern Virginia Mega Site at Berry Hill

From: Telly D. Tucker, Director of Economic Development
City of Danville

SUMMARY

The Board will be asked to approve Resolution 2018-12-14-5D, approving the logo for the Southern Virginia Mega Site.

ATTACHMENTS

No Written Resolution

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.: Item 5E

Meeting Date: 12/14/2018

Subject: Resolution 2018-12-14-5E, approving the name change of Southern Virginia Mega Site at Berry Hill

From: Telly D. Tucker, Director of Economic Development
City of Danville

SUMMARY

The Board will be asked to approve Resolution 2018-12-14-5E, approving the name change of the Southern Virginia Mega Site at Berry Hill.

ATTACHMENTS

No Written Resolution

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.: Item 5F

Meeting Date: 12/14/2018

Subject: Resolution 2018-12-14-5F, Accepting the Bid from C.W. Cauley & Son, Inc.

From: Shawn R. Harden, PE or Brian K. Bradner, PE
Dewberry Engineers

SUMMARY

The Board will be asked to approve Resolution 2018-12-14-5F, accepting the bid from C.W. Cauley & Son, Inc.

ATTACHMENTS

Resolution 2018-12-14-5F

Exhibit A

A RESOLUTION ACCEPTING THE \$1,843,540.00 BID SUBMITTED ON OR BEFORE NOVEMBER 27, 2018, FROM C.W. CAULEY & SON, INC., A VIRGINIA CORPORATION, AS THE LOWEST RESPONSIVE AND RESPONSIBLE BIDDER SUBMITTED FOR SOVA MEGA SITE AT BERRY HILL - PHASE 1 VIRGINIA WATER PROJECT, AS MORE PARTICULARLY DESCRIBED IN THAT CERTAIN ADVERTISEMENT FOR BIDS ADVERTISED ON OCTOBER 22, 2018, ISSUED BY THE AUTHORITY, AND BEING WITHIN AVAILABLE FUNDS

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, as part of the development of the Authority’s Southern Virginia Megasite at Berry Hill project located in Pittsylvania County, Virginia (being the same as SOVA Mega Site at Berry Hill), the Authority, through the City of Danville, Virginia, as its agent, issued that certain Advertisement for Bids, advertised on October 22, 2018, without waiving the provisions under Virginia Code § 2.2-4344.B, for its Phase 1 Virginia Water project (the “**Advertisement for Bids**”), as described in the drawings and specifications in the Advertisement for Bids; and

WHEREAS, the Authority, through its support staff, having publicly opened and read aloud in the conference room, at the Pittsylvania County Administrator’s Office directly after 2:00 p.m. on November 27, 2018, all timely submitted sealed bids; and

WHEREAS, the Authority, with the assistance of and comments from its support staff, evaluated the bids based upon the requirements set forth in the Advertisement for Bids, which may include special qualifications of potential contractors, life-cycle costing, value analysis, and any other criteria such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose, which are helpful in determining acceptability; and

WHEREAS, after such evaluation, the Authority determined that the bid in the amount of **ONE MILLION EIGHT HUNDRED FORTY THREE THOUSAND FIVE HUNDRED TEN AND 00/100 DOLLARS** (\$1,843,510.00) submitted by C.W. Cauley & Son, Inc., a Virginia corporation (the “**LRRB Bid**”), was the lowest responsive and responsible bidder, as such terms are defined in Virginia Code § 2.2-4301; and a copy of the LRRB Bid is attached hereto and incorporated herein by this reference as **Exhibit A**; and

WHEREAS, the fiscal agent of the Authority has determined that the available funds are within “MegaPark Water & Sewer”, a funding sheet under the budget previously approved by the Authority for this project for this purpose, with TIC Grant #3011 as a source.

NOW, THEREFORE, BE IT RESOLVED BY THE DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY, THAT:

1. The Authority hereby accepts the LRRB Bid and authorizes the Chairman and the Vice Chairman of the Authority to execute and deliver a notice of award, accepting the LRRB

Resolution No. 2018-12-14-5F

Bid, on behalf of the Authority, including without limitation 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 LRRB Bid, or as they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of this Resolution.

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 LRRB Bid and the matters contemplated therein.

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

-#-

CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on December 14, 2018, 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 as of the 14th day of December 2018.

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

(SEAL)

EXHIBIT A
(Copy of the LRRB Bid)



Dewberry Engineers Inc. | 434.797.4497
551 Piney Forest Road | 434.797.4341 fax
Danville, VA 24540 | www.dewberry.com

November 29, 2018

Mr. Richard Hicks
Assistant County Administrator
Pittsylvania County
1 Center Street
Chatham, VA 24531

Re: SoVA Mega Site at Berry Hill – Phase I Virginia Water Recommended Award

Dear Mr. Hicks:

Bids for the above-referenced project have been tabulated by this office, and a copy of the certified bid tabulation is attached. Our evaluation confirms the low bidder to be C.W. Cauley & Son, Inc. A copy of their original bid package is also included. C.W. Cauley & Son, Inc. is registered with the Virginia State Registration Board for Contractors with No. 2705154511. The Virginia Department of Professional and Occupational Regulation (DPOR) was contacted, and it was confirmed that C.W. Cauley & Son, Inc. has had no formal complaints issued recently and is in good standing.

Based on our evaluations, we have no reservations regarding the ability of C.W. Cauley & Son, Inc. to perform the work, and recommend granting the Award. The base bid offering for this project is \$1,843,510.

Note that the bid amounts are guaranteed for only 60 days from the date of opening. Please let us know of your decision regarding award, at which time we will prepare the Contractor's Notice of Award for your signature. If you have any questions or if you would like to discuss further, please do not hesitate to contact me at 434-549-8504.

Sincerely,

Dewberry Engineers Inc.

A handwritten signature in blue ink that reads "Leslie A. Barksdale".

Leslie A. Barksdale, EIT

LAB/rse

Attached: C.W. Cauley & Son, Inc. Bid Package, Certified Bid Tab

ARTICLE 1 – BID RECIPIENT

- 1.01 This Bid is submitted to:

Danville-Pittsylvania Regional Industrial Facility Authority, One Center Street, Chatham, VA 24531

- 1.02 The undersigned Bidder proposes and agrees, if this Bid is accepted, to enter into an Agreement with Owner in the form included in the Bidding Documents to perform all Work as specified or indicated in the Bidding Documents for the prices and within the times indicated in this Bid and in accordance with the other terms and conditions of the Bidding Documents.

ARTICLE 2 – BIDDER'S ACKNOWLEDGEMENTS

- 2.01 Bidder accepts all of the terms and conditions of the Instructions to Bidders, including without limitation those dealing with the disposition of Bid security. This Bid will remain subject to acceptance for 60 days after the Bid opening, or for such longer period of time that Bidder may agree to in writing upon request of Owner.
- 2.02 Bidders are referred to **Article 19 Evaluation of Bids and Award of Contract**. This Article establishes how the apparent low bidder will be established.

ARTICLE 3 – BIDDER'S REPRESENTATIONS

- 3.01 In submitting this Bid, Bidder represents that:

- A. Bidder has examined and carefully studied the Bidding Documents, and any data and reference items identified in the Bidding Documents, and hereby acknowledges receipt of the following Addenda:

<u>Addendum No.</u>	<u>Addendum, Date</u>
<u>1</u>	<u>Nov. 9, 2018</u>
<u>2</u>	<u>Nov. 21, 2018</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

- B. Bidder has visited the Site, conducted a thorough, alert visual examination of the Site and adjacent areas, and become familiar with and satisfied itself as to the general, local, and Site conditions that may affect cost, progress, and performance of the Work.
- C. Bidder is familiar with and has satisfied itself as to all Laws and Regulations that may affect cost, progress, and performance of the Work.
- D. Bidder has carefully studied all: (1) reports of explorations and tests of subsurface conditions at or adjacent to the Site and all drawings of physical conditions relating to existing surface or subsurface structures at the Site that have been identified in the Supplementary Conditions, especially with respect to Technical Data in such reports and drawings, and (2) reports and drawings relating to Hazardous Environmental Conditions, if any, at or adjacent to the Site that have been identified in the Supplementary Conditions, especially with respect to Technical Data in such reports and drawings.
- E. Bidder has considered the information known to Bidder itself; information commonly known to contractors doing business in the locality of the Site; information and

observations obtained from visits to the Site; the Bidding Documents; and any Site-related reports and drawings identified in the Bidding Documents, with respect to the effect of such information, observations, and documents on (1) the cost, progress, and performance of the Work; (2) the means, methods, techniques, sequences, and procedures of construction to be employed by Bidder; and (3) Bidder's safety precautions and programs.

- F. Bidder agrees, based on the information and observations referred to in the preceding paragraph, that no further examinations, investigations, explorations, tests, studies, or data are necessary for the determination of this Bid for performance of the Work at the price bid and within the times required, and in accordance with the other terms and conditions of the Bidding Documents.
- G. Bidder is aware of the general nature of work to be performed by Owner and others at the Site that relates to the Work as indicated in the Bidding Documents.
- H. Bidder has given Engineer written notice of all conflicts, errors, ambiguities, or discrepancies that Bidder has discovered in the Bidding Documents, and confirms that the written resolution thereof by Engineer is acceptable to Bidder.
- I. The Bidding Documents are generally sufficient to indicate and convey understanding of all terms and conditions for the performance and furnishing of the Work.
- J. The submission of this Bid constitutes an incontrovertible representation by Bidder that Bidder has complied with every requirement of this Article, and that without exception the Bid and all prices in the Bid are premised upon performing and furnishing the Work required by the Bidding Documents.

ARTICLE 4 – BIDDER'S CERTIFICATION

4.01 Bidder certifies that:

- A. This Bid is genuine and not made in the interest of or on behalf of any undisclosed individual or entity and is not submitted in conformity with any collusive agreement or rules of any group, association, organization, or corporation;
- B. Bidder has not directly or indirectly induced or solicited any other Bidder to submit a false or sham Bid;
- C. Bidder has not solicited or induced any individual or entity to refrain from bidding; and
- D. Bidder has not engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the Contract. For the purposes of this Paragraph 4.01.D:
 - 1. "corrupt practice" means the offering, giving, receiving, or soliciting of any thing of value likely to influence the action of a public official in the bidding process;
 - 2. "fraudulent practice" means an intentional misrepresentation of facts made (a) to influence the bidding process to the detriment of Owner, (b) to establish bid prices at artificial non-competitive levels, or (c) to deprive Owner of the benefits of free and open competition;
 - 3. "collusive practice" means a scheme or arrangement between two or more Bidders, with or without the knowledge of Owner, a purpose of which is to establish bid prices at artificial, non-competitive levels; and

4. "coercive practice" means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in the bidding process or affect the execution of the Contract.

ARTICLE 5 – BASIS OF BID

5.01 Bidder will complete the Work in accordance with the Contract Documents for the following price(s):

- A. Unit prices has been completed in accordance with Paragraph 13.03.A of the General Conditions.
- B. Bidder acknowledges that (1) each Bid Unit Price includes an amount considered by Bidder to be adequate to cover Contractor's overhead and profit for each separately identified item, and (2) estimated quantities are not guaranteed, and are solely for the purpose of comparison of Bids, and final payment for all unit price Bid items will be based on actual quantities, determined as provided in the Contract Documents.

To enable a proper evaluation of the Bid Proposal, Bidders are required to submit a Base Bid for the Project as described in the specifications and as shown on the drawings. Proposals with incomplete Base Bid shall be considered non-responsive and may be rejected. The Owner reserves the right to waive irregularities and informalities in bids received and to reject any and all bids.

SoVA Mega Site at Berry Hill – Phase I Virginia Water Bid

L.I.	Description	Unit	Est. Qty.	Bid Unit Price	Bid Price
1	Site Prep/ Mobilization	LS	1	\$ 50,000.00	\$ 50,000.00
2	Erosion and Sediment Control	LS	1	\$ 75,000.00	\$ 75,000.00
3	Earthwork	LS	1	\$ 50,000.00	\$ 50,000.00
4	Site Restoration	LS	1	\$ 120,000.00	\$ 120,000.00
5	Tributary/Small Stream Crossing (excluding pipe)	EA	3	\$ 2,000.00	\$ 6,000.00
6	20" Butterfly Valve and Box	EA	1570	\$ 7,500.00	\$ 112,500.00
7	Air Release Valve Assembly	EA	7	\$ 3,500.00	\$ 24,500.00
8	Fire Hydrant Assembly	EA	14	\$ 6,500.00	\$ 91,000.00
9	[20" DIP] or [20" PVC] Waterline (circle pipe material chosen)	LF	11,400	\$ 85.00	\$ 969,000.00
10	20" DIP Only Waterline	LF	500	\$ 120.00	\$ 60,000.00
11	Restrained Fittings	LS	1	\$ 80,000.00	\$ 80,000.00
12	32" Concrete Encasement - excluding carrier pipe	LF	60	\$ 60.00	\$ 3,600.00
13	30" Bored Steel Casing - excluding carrier pipe (Railroad Crossing - STA 41+00)	LF	120	\$ 400.00	\$ 48,000.00
14	Gravel Driveway Repair	EA	4	\$ 250.00	\$ 1,000.00
15	Fill Material	CY	1000	\$ 10.00	\$ 10,000.00
16	Geotextile Fabric	SY	1500	\$ 1.00	\$ 1,500.00
17	Rip Rap (Class I)	CY	500	\$ 20.00	\$ 10,000.00
18	VDOT #1 Stone	CY	1000	\$ 21.00	\$ 21,000.00
19	Crusher Run Stone	CY	1000	\$ 18.00	\$ 18,000.00
20	Coordination with Norfolk Southern for RR Crossing (RIFA will pay for permit and monitoring services)	LS	1	\$ 1,000.00	\$ 1,000.00
21	VDOT Land Use Permit Fee (includes Oak Hill Road)	LS	1	\$1,410	\$1,410
22	Traffic Control and Management	LS	1	\$ 90,000.00	\$ 90,000.00
Base Bid Total					\$ 1,843,510.00

Base Bid (total of all items) \$ One Million Eight Hundred Forty Three Thousand Five

Hundred Ten + 00/100

(words)

ARTICLE 6 – TIME OF COMPLETION

- 6.01 Bidder agrees that the Work will be substantially complete and will be completed and ready for final payment in accordance with Paragraph 15.06 of the General Conditions on or before the dates or within the number of calendar days indicated in the Agreement.
- 6.02 Bidder accepts the provisions of the Agreement as to liquidated damages.

ARTICLE 7 – ATTACHMENTS TO THIS BID

- 7.01 The following documents are submitted with and made a condition of this Bid:
- A. Bid Bond (5%)
 - B. Bidder Qualification Statement with supporting data
 - C. Evidence of Bidder's authority to do business in the state where the project is located
 - D. Bidder's state or other contractor license number
 - E. Bidder Compliance Statement

ARTICLE 8 – DEFINED TERMS

- 8.01 The terms used in this Bid with initial capital letters have the meanings stated in the Instructions to Bidders, the General Conditions, and the Supplementary Conditions.

ARTICLE 9 – BID SUBMITTAL

BIDDER: *[Indicate correct name of bidding entity]*

C. W. Cauley & Son, Inc.

By:

[Signature]

Charles Cauley

[Printed name]

Charles Cauley

(If Bidder is a corporation, a limited liability company, a partnership, or a joint venture, attach evidence of authority to sign.)

Attest:

[Signature]

Joy W. Cauley

[Printed name]

Joy W. Cauley

Title:

Sec.

Submittal Date:

Nov. 27, 2018

Address for giving notices:

P.O. Box 123

Patrick Springs, VA 24133

Telephone Number:

276-694-3814

Fax Number:

276-694-2861

Contact Name and e-mail address: Charles Cavley - charles2301@hotmail.com
Bidder's License No.: VA 2705154511 Class A
(where applicable)

QUALIFICATIONS STATEMENT

THE INFORMATION SUPPLIED IN THIS DOCUMENT IS CONFIDENTIAL TO THE EXTENT
PERMITTED BY LAWS AND REGULATIONS

1. SUBMITTED BY:

Official Name of Firm: C.W. Cauley & Son, Inc.

Address: P.O. Box 123

844 Providence Drive

Patrick Springs, VA 24133

2. SUBMITTED TO:

Danville-Pittsylvania Regional Industrial Facility Authority

3. SUBMITTED FOR:

SoVA Mega Site at Berry Hill Phase 1 Virginia Water

Owner:

Danville-Pittsylvania County Regional Industrial Facility Authority

Project Name:

SoVA Mega Site at Berry Hill Phase 1 Virginia Water

TYPE OF WORK:

Water Line Construction

4. CONTRACTOR'S CONTACT INFORMATION

Contact Person:

Charles Cauley

Title:

President

Phone:

276-692-5011

Email:

charles2301@hotmail.com

EJCDC® C-451, Qualifications Statement.

Copyright © 2013 National Society of Professional Engineers, American Council of Engineering Companies,
and American Society of Civil Engineers. All rights reserved.

Page 1 of 7

5. **AFFILIATED COMPANIES:**

Name: None

Address: _____

6. **TYPE OF ORGANIZATION:**

☐ SOLE PROPRIETORSHIP

Name of Owner: _____

Doing Business As: _____

Date of Organization: _____

☐ PARTNERSHIP

Date of Organization: _____

Type of Partnership: _____

Name of General Partner(s): _____

☒ CORPORATION

State of Organization: Virginia

Date of Organization: Jan. 8, 1991

Executive Officers:

- President: Charles W. Cauley

- Vice President(s): Joy W. Cauley

- Treasurer: Charles W. Cauley

- Secretary: Joy W. Cauley

EJCDC® C-451, Qualifications Statement.

Copyright © 2013 National Society of Professional Engineers, American Council of Engineering Companies,
and American Society of Civil Engineers. All rights reserved.

Page 2 of 7

☐ **LIMITED LIABILITY COMPANY**

State of Organization:

Date of Organization:

Members:

☐ **JOINT VENTURE**

Sate of Organization:

Date of Organization:

Form of Organization:

Joint Venture Managing Partner

- Name:

- Address:

Joint Venture Managing Partner

- Name:

- Address:

Joint Venture Managing Partner

- Name:

- Address:

7. LICENSING

Jurisdiction: Virginia

Type of License: Class A

License Number: 2705154511

Jurisdiction: _____

Type of License: _____

License Number: _____

8. CERTIFICATIONS

CERTIFIED BY:

Disadvantage Business Enterprise: N/A

Minority Business Enterprise: N/A

Woman Owned Enterprise: N/A

Small Business Enterprise: N/A

Other (_____): _____

9. BONDING INFORMATION

Bonding Company: The Cincinnati Insurance Company

Address: 6200 South Gilmore Road
Fairfield, OH 45014

Bonding Agent: Campbell Insurance

Address: 801 Main Street
Lynchburg, VA 24504

Contact Name: Don Giles

Phone: 434-847-5541

Aggregate Bonding Capacity: 7,000,000.00

Available Bonding Capacity as of date of this submittal: 6,900,000.00

10. FINANCIAL INFORMATION

Financial Institution:	BB&T
Address:	101 Stonewall Ct.
	Stuart, VA 24171
Account Manager:	Tina Collins
Phone:	276-694-1901

11. CONSTRUCTION EXPERIENCE:

Current Experience:

List on **Schedule A** all uncompleted projects currently under contract (If Joint Venture list each participant's projects separately).

Previous Experience:

List on **Schedule B** all projects completed within the last 5 Years (If Joint Venture list each participant's projects separately).

Has firm listed in Section 1 ever failed to complete a construction contract awarded to it?

☐ YES ☒ NO

If YES, attach as an Attachment details including Project Owner's contact information.

Has any Corporate Officer, Partner, Joint Venture participant or Proprietor ever failed to complete a construction contract awarded to them in their name or when acting as a principal of another entity?

☐ YES ☒ NO

If YES, attach as an Attachment details including Project Owner's contact information.

Are there any judgments, claims, disputes or litigation pending or outstanding involving the firm listed in Section 1 or any of its officers (or any of its partners if a partnership or any of the individual entities if a joint venture)?

☐ YES ☒ NO

If YES, attach as an Attachment details including Project Owner's contact information.

12. SAFETY PROGRAM:

Provide the following for the firm listed in Section V (and for each proposed Subcontractor furnishing or performing Work having a value in excess of 10 percent of the total amount of the Bid) the following (attach additional sheets as necessary):

Workers' compensation Experience Modification Rate (EMR) for the last 5 years:

YEAR	<u>2017</u>	EMR	<u>.84</u>
YEAR	<u>2016</u>	EMR	<u>.85</u>
YEAR	<u>2015</u>	EMR	<u>.87</u>
YEAR	<u>2014</u>	EMR	<u>.92</u>
YEAR	<u>2013</u>	EMR	<u>.92</u>

Total Recordable Frequency Rate (TRFR) for the last 5 years:

YEAR	<u>None</u>	TRFR	<u>N/A</u>
YEAR	<u> </u>	TRFR	<u> </u>
YEAR	<u> </u>	TRFR	<u> </u>
YEAR	<u> </u>	TRFR	<u> </u>
YEAR	<u> </u>	TRFR	<u> </u>

Total number of man-hours worked for the last 5 Years:

YEAR	<u>2013</u>	TOTAL NUMBER OF MAN-HOURS	<u>21,117</u>
YEAR	<u>2014</u>	TOTAL NUMBER OF MAN-HOURS	<u>17,718</u>
YEAR	<u>2015</u>	TOTAL NUMBER OF MAN-HOURS	<u>22,681</u>
YEAR	<u>2016</u>	TOTAL NUMBER OF MAN-HOURS	<u>33,042</u>
YEAR	<u>2017</u>	TOTAL NUMBER OF MAN-HOURS	<u>24,372</u>

Provide Contractor's (and Contractor's proposed Subcontractors and Suppliers furnishing or performing Work having a value in excess of 10 percent of the total amount of the Bid) Days Away From Work, Days of Restricted Work Activity or Job Transfer (DART) incidence rate for the particular industry or type of Work to be performed by Contractor and each of Contractor's proposed Subcontractors and Suppliers) for the last 5 years:

YEAR	<u>None</u>	DART	<u>N/A</u>
YEAR	<u> </u>	DART	<u> </u>
YEAR	<u> </u>	DART	<u> </u>
YEAR	<u> </u>	DART	<u> </u>
YEAR	<u> </u>	DART	<u> </u>

13. EQUIPMENT:

MAJOR EQUIPMENT:

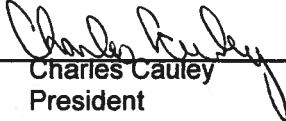
List on Schedule C all pieces of major equipment available for use on Owner's Project.

EJCDC® C-451, Qualifications Statement.

Copyright © 2013 National Society of Professional Engineers, American Council of Engineering Companies, and American Society of Civil Engineers. All rights reserved.

I HEREBY CERTIFY THAT THE INFORMATION SUBMITTED HERewith, INCLUDING ANY ATTACHMENTS, IS TRUE TO THE BEST OF MY KNOWLEDGE AND BELIEF.

NAME OF ORGANIZATION: C.W. Cauley & Son, Inc.

BY: 
Charles Cauley
President

TITLE: _____

DATED: Nov. 27, 2018 Type text here

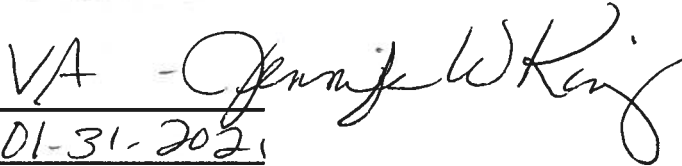
NOTARY ATTEST:

SUBSCRIBED AND SWORN TO BEFORE ME

THIS 26th DAY OF November, 2018

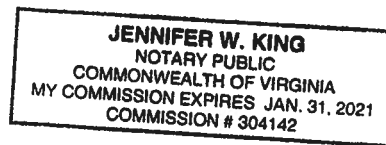
NOTARY PUBLIC - STATE OF VA

MY COMMISSION EXPIRES: 01-31-2021



REQUIRED ATTACHMENTS

1. Schedule A (Current Experience).
2. Schedule B (Previous Experience).
3. Schedule C (Major Equipment).
4. Evidence of authority for individuals listed in Section 7 to bind organization to an agreement.
5. Resumes of officers and key individuals (including Safety Officer) of firm named in Section 1.
6. Additional items as pertinent.



SCHEDULE A

CURRENT EXPERIENCE

Project Name	Owner's Contact Person	Design Engineer	Contract Date	Type of Work	Status	Cost of Work
Sutphin Road Interceptor	Name: Halifax County Service Authority Address: South Boston, VA Telephone: 434-575-4240	Name: Leslie Barksdale, EIT Company: Dewberry Telephone: 434-549-8504	March 15, 2018	Clearing, Grading, Erosion Control, Sewer Line Installation	80% Complete	\$2,400,000.00
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				

SCHEDULE B

PREVIOUS EXPERIENCE (include ALL Projects Completed within last 5 years)

Project Name	Owner's Contact Person	Design Engineer	Contract Date	Type of Work	Status	Cost of Work
Cliffview Water Extensions	Name: Jessica Montgomery, P.E. Address: Carroll County PSA 605-2 Pine Street Hillsville, VA 24343 Telephone: 276-733-4309	Name: Kevin Heath Company: The Lane Group Telephone: 276-233-7167	March 2015	55,000 ft. 8" and 6" Water Mains	100% Complete	\$2,352,000.00
Meadow View Off Site Sewer Ext.	Name: Tim Pace Address: Henry County PSA 3300 Kings Mountain Rd. Martinsville, VA 24112 Telephone: 276-634-2559	Name: Trevor Kimzey Company: RRMM Architects, PC Telephone: 540-344-1212	April 2016	4,500 ft. 8" Sanitary Sewer and Manholes	100% Complete	\$475,000.00
Performance Feed Rail Spur and Receiving Pit	Name: Jason Pendelton Address: Redd Level Plant Road Martinsville, VA 24122 Telephone: 336-593-2626	Name: Gretchen B. Clark, P.E. Company: Reynolds-Clark Development Telephone: 434-656-8961	Sept. 2016	Clearing, Grading, and Erosion Control for rail spur and pit	100% Complete	\$175,000.00
Coon Ridge Water Extensions	Name: Jessica Montgomery, P.E. Address: Carroll County PSA 605-2 Pine Street Hillsville, VA 24343 Telephone: 276-733-4309	Name: Kevin Heath Company: The Lane Group Telephone: 276-233-7167	March 2012	35,000 ft. 8" and 6" Water Mains	100% Complete	\$1,928,000.00
Fancy Gap Water Improvement Project	Name: Jessica Montgomery, P.E. Address: Carroll County PSA 605-2 Pine Street Hillsville, VA 24343 Telephone: 276-733-4309	Name: Kevin Heath Company: The Lane Group Telephone: 276-233-7167	May 2013	Water Lines Extension	100% Complete	\$67,750.00
Safe Routes to School Project	Name: Keith Barker Address: City of Galax 111 Grayson Street Galax, VA 24333 Telephone: 276-236-5773	Name: Kevin Heath Company: The Lane Group Telephone: 276-233-7167	June 2014	Storm Drainage and Sidewalk Improvement	100% Complete	\$225,000.00
	Name: Address: Telephone:	Name: Company: Telephone:				

EXCDC® C-451, Qualifications Statement.

Copyright © 2013 National Society of Professional Engineers, American Council of Engineering Companies, and American Society of Civil Engineers. All rights reserved.

Page 2 of 4

SCHEDULE B

PREVIOUS EXPERIENCE (Include ALL Projects Completed within last 5 years)

Project Name	Owner's Contact Person	Design Engineer	Contract Date	Type of Work	Status	Cost of Work
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				
	Name: Address: Telephone:	Name: Company: Telephone:				

SCHEDULE C - LIST OF MAJOR EQUIPMENT AVAILABLE

ITEM	PURCHASE DATE	CONDITION	ACQUIRED VALUE
PC-200 HD Excavator	Dec. 2010	Excellent	157,537.50
PC-138 Excavator	September 2017	Excellent	148,500.00
PC-88 Excavator	September 2014	Excellent	98,750.00
PC-78 Excavator	Dec. 2012	Good	88,285.00
PC-50 Mini Excavator	Dec. 2012	Excellent	56,687.00
PC-45 Mini Excavator	June 2014	Good	47,849.00
PC-200 LC Excavator	May 2000	Good	65,000.00
HD-35 Mini Excavator	Nov. 2014	Good	28,500.00
JD 450 Dozer	July 1990	Good	13,500.00
D5 Cat Dozer	September 2012	Excellent	35,000.00
953 Cat Crawler Loader	July 2014	Good	20,000.00
963 Cat Crawler Loader	June 2017	Good	28,000.00
L70C Volvo Wheel Loader	June 2012	Good	32,000.00
L70F Volvo Wheel Loader	Feb. 2015	Excellent	68,500.00
WB156 Komatsu Backhoe	Nov. 2009	Excellent	86,000.00
Cater 580 Backhoe	Feb. 1989	Good	67,000.00
CK-35 Komatsu Compact Loader	Nov. 2009	Good	48,000.00
24X40 Vermeer Directional Boring Machine	Feb. 2015	Good	51,416.00
20X22 Vermeer Directional Boring Machine	August 2013	Excellent	179,304.70

BID BOND

Any singular reference to Bidder, Surety, Owner or other party shall be considered plural where applicable.

BIDDER (Name and Address):

C. W. Cauley & Son, Inc.
844 Providence Drive
Patrick Springs, VA 24133

SURETY (Name, and Address of Principal Place of Business):

The Cincinnati Insurance Company
6200 S. Gilmore Road
Fairfield, OH 45014

OWNER (Name and Address):

Danville-Pittsylvania County Regional Industrial Facility Authority
1 Center Street
Chatham, VA 24531

BID

Bld Due Date: November 27, 2018

Description (Project Name— Include Location): SoVA Mega Site at Berry Hill Phase 1 Virginia Water
Pittsylvania County, VA

BOND

Bond Number: B1246517

Date: November 27, 2018

Penal sum Five Percent of Bid (Words) \$ 5% of Bid (Figures)

Surety and Bidder, intending to be legally bound hereby, subject to the terms set forth below, do each cause this Bid Bond to be duly executed by an authorized officer, agent, or representative.

BIDDER

C. W. Cauley & Son, Inc. (Seal)

Bidder's Name and Corporate Seal

By:

Charles Cauley
Signature

Charles Cauley

Print Name

President

Title

Attest:

Joy W. Cauley
Signature

Title

Sec.

SURETY

The Cincinnati Insurance Company

Surety's Name and Corporate Seal

By:

Nicole E. Hudnall
Signature (Attach Power of Attorney)

Nicole E. Hudnall

Print Name

Attorney-in-Fact

Title

Attest:

Emily E. Rawlings
Signature Emily E. Rawlings

Title Agent

Note: Addresses are to be used for giving any required notice.

Provide execution by any additional parties, such as joint venturers, if necessary.

1. Bidder and Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors, and assigns to pay to Owner upon default of Bidder the penal sum set forth on the face of this Bond. Payment of the penal sum is the extent of Bidder's and Surety's liability. Recovery of such penal sum under the terms of this Bond shall be Owner's sole and exclusive remedy upon default of Bidder.
2. Default of Bidder shall occur upon the failure of Bidder to deliver within the time required by the Bidding Documents (or any extension thereof agreed to in writing by Owner) the executed Agreement required by the Bidding Documents and any performance and payment bonds required by the Bidding Documents.
3. This obligation shall be null and void if:
 - 3.1 Owner accepts Bidder's Bid and Bidder delivers within the time required by the Bidding Documents (or any extension thereof agreed to in writing by Owner) the executed Agreement required by the Bidding Documents and any performance and payment bonds required by the Bidding Documents, or
 - 3.2 All Bids are rejected by Owner, or
 - 3.3 Owner fails to issue a Notice of Award to Bidder within the time specified in the Bidding Documents (or any extension thereof agreed to in writing by Bidder and, if applicable, consented to by Surety when required by Paragraph 5 hereof).
4. Payment under this Bond will be due and payable upon default of Bidder and within 30 calendar days after receipt by Bidder and Surety of written notice of default from Owner, which notice will be given with reasonable promptness, identifying this Bond and the Project and including a statement of the amount due.
5. Surety waives notice of any and all defenses based on or arising out of any time extension to issue Notice of Award agreed to in writing by Owner and Bidder, provided that the total time for issuing Notice of Award including extensions shall not in the aggregate exceed 120 days from the Bid due date without Surety's written consent.
6. No suit or action shall be commenced under this Bond prior to 30 calendar days after the notice of default required in Paragraph 4 above is received by Bidder and Surety and in no case later than one year after the Bid due date.
7. Any suit or action under this Bond shall be commenced only in a court of competent jurisdiction located in the state in which the Project is located.
8. Notices required hereunder shall be in writing and sent to Bidder and Surety at their respective addresses shown on the face of this Bond. Such notices may be sent by personal delivery, commercial courier, or by United States Registered or Certified Mail, return receipt requested, postage pre-paid, and shall be deemed to be effective upon receipt by the party concerned.
9. Surety shall cause to be attached to this Bond a current and effective Power of Attorney evidencing the authority of the officer, agent, or representative who executed this Bond on behalf of Surety to execute, seal, and deliver such Bond and bind the Surety thereby.
10. This Bond is intended to conform to all applicable statutory requirements. Any applicable requirement of any applicable statute that has been omitted from this Bond shall be deemed to be included herein as if set forth at length. If any provision of this Bond conflicts with any applicable statute, then the provision of said statute shall govern and the remainder of this Bond that is not in conflict therewith shall continue in full force and effect.
11. The term "Bid" as used herein includes a Bid, offer, or proposal as applicable.

THE CINCINNATI INSURANCE COMPANY

Fairfield, Ohio

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That THE CINCINNATI INSURANCE COMPANY, a corporation organized under the laws of the State of Ohio, and having its principal office in the City of Fairfield, Ohio, does hereby constitute and appoint

W. David Shields; Donna M. Smith; Frieda K. Amos; Donald M. Giles;
Celia J. Hudnall; Nicole E. Hudnall and/or Victoria L. Meacom

each in their separate capacity.

of Lynchburg, Virginia

and deliver on its behalf as Surety, and as its act and deed, any and all bonds, policies, undertakings, or other like instruments, as follows:

Any such obligations in the United States, up to

Twenty Million and No/100 Dollars (\$20,000,000.00).

This appointment is made under and by authority of the following resolution passed by the Board of Directors of said Company at a meeting held in the principal office of the Company, a quorum being present and voting, on the 6th day of December, 1958, which resolution is still in effect:

"RESOLVED, that the President or any Vice President be hereby authorized, and empowered to appoint Attorneys-in-Fact of the Company to execute any and all bonds, policies, undertakings, or other like instruments on behalf of the Corporation, and may authorize any officer or any such Attorney-in-Fact to affix the corporate seal; and may with or without cause modify or revoke any such appointment or authority. Any such writings so executed by such Attorneys-in-Fact shall be binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 7th day of December, 1973.

"RESOLVED, that the signature of the President or a Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Secretary or Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power of certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

IN WITNESS WHEREOF, THE CINCINNATI INSURANCE COMPANY has caused these presents to be sealed with its corporate seal, duly attested by its Vice President this 10th day of October, 2008.



STATE OF OHIO
COUNTY OF BUTLER

} ss:

THE CINCINNATI INSURANCE COMPANY

Donna M. Kelly
Vice President

On this 10th day of October, 2008, before me came the above-named Vice President of THE CINCINNATI INSURANCE COMPANY, to me personally known to be the officer described herein, and acknowledged that the seal affixed to the preceding instrument is the corporate seal of said Company and the corporate seal and the signature of the officer were duly affixed and subscribed to said instrument by the authority and direction of said corporation.



Mark J. Huller
MARK J. HULLER, Attorney at Law
NOTARY PUBLIC - STATE OF OHIO
My commission has no expiration date. Section 147.03 O.R.C.

I, the undersigned Secretary or Assistant Secretary of THE CINCINNATI INSURANCE COMPANY, hereby certify that the above is a true and correct copy of the Original Power of Attorney issued by said Company, and do hereby further certify that the said Power of Attorney is still in full force and effect.

GIVEN under my hand and seal of said Company at Fairfield, Ohio,
this 27th day of November, 2018.



BN-1005 (10/08)

Gregory J. Schellman
Secretary

SoVA Mega Site at Berry Hill - Phase I Virginia Water Bid Tabulation - November 27, 2018

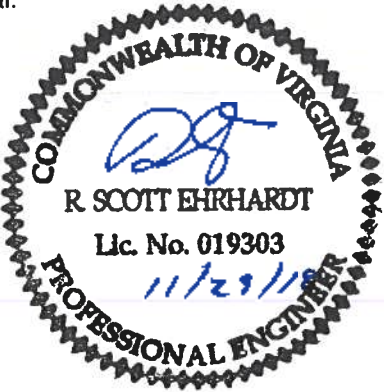
L.I.	Description	Unit	Est. Qty.	C.W. Cauley & Son, Inc.		Garney Companies		Haymes Brothers, Inc.		Mendon Pipeline	
				Bid Unit Price	Bid Price	Bid Unit Price	Bid Price	Bid Unit Price	Bid Price	Bid Unit Price	Bid Price
1	Site Prep/ Mobilization	LS	1	\$50,000.00	\$50,000.00	\$152,000.00	\$152,000.00	\$72,565.00	\$72,565.00	\$100,000.00	\$100,000.00
2	Erosion and Sediment Control	LS	1	\$75,000.00	\$75,000.00	\$50,000.00	\$50,000.00	\$52,300.00	\$52,300.00	\$35,000.00	\$35,000.00
3	Earthwork	LS	1	\$50,000.00	\$50,000.00	\$20,000.00	\$20,000.00	\$52,325.00	\$52,325.00	\$30,000.00	\$30,000.00
4	Site Restoration	LS	1	\$120,000.00	\$120,000.00	\$40,000.00	\$40,000.00	\$14,660.00	\$14,660.00	\$75,000.00	\$75,000.00
5	Tributary/Small Stream Crossing (excluding pipe)	EA	3	\$2,000.00	\$6,000.00	\$25,000.00	\$75,000.00	\$35,075.00	\$105,225.00	\$15,000.00	\$45,000.00
6	20" Butterfly Valve and Box	EA	15	\$7,500.00	\$112,500.00	\$7,700.00	\$115,500.00	\$7,970.00	\$119,550.00	\$8,500.00	\$127,500.00
7	Air Release Valve Assembly	EA	7	\$3,500.00	\$24,500.00	\$4,500.00	\$31,500.00	\$4,845.00	\$33,915.00	\$4,000.00	\$28,000.00
8	Fire Hydrant Assembly	EA	14	\$6,500.00	\$91,000.00	\$5,600.00	\$78,400.00	\$4,635.00	\$64,890.00	\$6,500.00	\$91,000.00
9	[20" DIP] or [20" PVC] Waterline (circle pipe material chosen)	LF	11,400	\$85.00	\$969,000.00	\$91.00	\$1,037,400.00	\$95.80	\$1,092,120.00	\$94.00	\$1,071,600.00
10	20" DIP Only Waterline	LF	500	\$120.00	\$60,000.00	\$103.00	\$51,500.00	\$106.25	\$53,125.00	\$120.00	\$60,000.00
11	Restrained Fittings	LS	1	\$80,000.00	\$80,000.00	\$98,700.00	\$98,700.00	\$75,675.00	\$75,675.00	\$124,000.00	\$124,000.00
12	32" Concrete Encasement - excluding carrier pipe	LF	60	\$60.00	\$3,600.00	\$122.00	\$7,320.00	\$100.00	\$6,000.00	\$150.00	\$9,000.00
13	30" Bored Steel Casing - excluding carrier pipe (Railroad Crossing - STA 41+00)	LF	120	\$400.00	\$48,000.00	\$900.00	\$108,000.00	\$700.00	\$84,000.00	\$1,500.00	\$180,000.00
14	Gravel Driveway Repair	EA	4	\$250.00	\$1,000.00	\$602.00	\$2,408.00	\$1,100.00	\$4,400.00	\$900.00	\$3,600.00
15	Fill Material	CY	1000	\$10.00	\$10,000.00	\$11.00	\$11,000.00	\$9.50	\$9,500.00	\$30.00	\$30,000.00
16	Geotextile Fabric	SY	1500	\$1.00	\$1,500.00	\$1.60	\$2,400.00	\$9.50	\$14,250.00	\$2.00	\$3,000.00
17	Rip Rap (Class I)	CY	500	\$20.00	\$10,000.00	\$40.00	\$20,000.00	\$100.00	\$50,000.00	\$44.00	\$22,000.00
18	VDOT #1 Stone	CY	1000	\$21.00	\$21,000.00	\$38.00	\$38,000.00	\$45.00	\$45,000.00	\$44.00	\$44,000.00
19	Crusher Run Stone	CY	1000	\$18.00	\$18,000.00	\$30.00	\$30,000.00	\$42.00	\$42,000.00	\$42.00	\$42,000.00
20	Coordination with Norfolk Southern for Railroad Crossing (RIFA will pay for permit and monitoring services)	LS	1	\$1,000.00	\$1,000.00	\$1,500.00	\$1,500.00	\$1,800.00	\$1,800.00	\$5,500.00	\$5,500.00
21	VDOT Land Use Permit Fee (includes Oak Hill Road)	LS	1	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00
22	Traffic Control and Management	LS	1	\$90,000.00	\$90,000.00	\$60,000.00	\$60,000.00	\$102,000.00	\$102,000.00	\$20,000.00	\$20,000.00
				Total	\$1,843,510.00	Total	\$2,032,038.00	Total	\$2,096,710.00	Total	\$2,147,610.00

Acknowledgement of Addenda (1&2)	Yes	Yes	Yes	Yes
Bid Bond	Yes	Yes	Yes	Yes
Qualifications Statement	Yes	Yes	Yes	Yes
Evidence of Authority to do Business in the State of Virginia	Yes	Yes	Yes	Yes
Contractor's License No.	2705154511	2705122417	2701010500	2701033572

Apparent Low Responsive Bidder: C.W. Cauley & Son, Inc.

Engineer's Signature: 

Seal:



SoVA Mega Site at Berry Hill - Phase I Virginia Water Bid Tabulation - November 27, 2018

L.I.	Description	Unit	Est. Qty.	E.C. Pace Company		Crews Construction Company		DLB Enterprises, LLC		English Construction Company	
				Bid Unit Price	Bid Price	Bid Unit Price	Bid Price	Bid Unit Price	Bid Price	Bid Unit Price	Bid Price
1	Site Prep/ Mobilization	LS	1	\$100,000.00	\$100,000.00	\$241,480.67	\$241,480.67	\$260,000.00	\$260,000.00	\$157,000.00	\$157,000.00
2	Erosion and Sediment Control	LS	1	\$60,000.00	\$60,000.00	\$29,943.79	\$29,943.79	\$40,000.00	\$40,000.00	\$105,000.00	\$105,000.00
3	Earthwork	LS	1	\$15,000.00	\$15,000.00	\$105,998.64	\$105,998.64	\$370,000.00	\$370,000.00	\$265,000.00	\$265,000.00
4	Site Restoration	LS	1	\$100,000.00	\$100,000.00	\$119,761.67	\$119,761.67	\$80,000.00	\$80,000.00	\$339,000.00	\$339,000.00
5	Tributary/Small Stream Crossing (excluding pipe)	EA	3	\$9,860.00	\$29,580.00	\$29,474.95	\$88,424.85	\$20,000.00	\$60,000.00	\$18,600.00	\$55,800.00
6	20" Butterfly Valve and Box	EA	15	\$7,412.00	\$111,180.00	\$8,089.65	\$121,344.75	\$7,000.00	\$105,000.00	\$8,000.00	\$120,000.00
7	Air Release Valve Assembly	EA	7	\$4,014.00	\$28,098.00	\$2,837.88	\$19,865.16	\$4,000.00	\$28,000.00	\$5,000.00	\$35,000.00
8	Fire Hydrant Assembly	EA	14	\$7,521.00	\$105,294.00	\$5,720.61	\$80,088.54	\$6,450.00	\$90,300.00	\$6,200.00	\$86,800.00
9	[20" DIP] or [20" PVC] Waterline (circle pipe material chosen)	LF	11,400	\$93.00	\$1,060,200.00	\$87.93	\$1,002,402.00	\$68.00	\$775,200.00	\$102.00	\$1,162,800.00
10	20" DIP Only Waterline	LF	500	\$149.00	\$74,500.00	\$118.66	\$59,330.00	\$120.00	\$60,000.00	\$145.00	\$72,500.00
11	Restrained Fittings	LS	1	\$185,000.00	\$185,000.00	\$71,774.73	\$71,774.73	\$149,000.00	\$149,000.00	\$65,000.00	\$65,000.00
12	32" Concrete Encasement - excluding carrier pipe	LF	60	\$127.00	\$7,620.00	\$433.63	\$26,017.80	\$114.00	\$6,840.00	\$297.00	\$17,820.00
13	30" Bored Steel Casing - excluding carrier pipe (Railroad Crossing - STA 41+00)	LF	120	\$400.00	\$48,000.00	\$727.85	\$87,342.00	\$1,500.00	\$180,000.00	\$760.00	\$91,200.00
14	Gravel Driveway Repair	EA	4	\$717.00	\$2,868.00	\$825.08	\$3,300.32	\$950.00	\$3,800.00	\$1,250.00	\$5,000.00
15	Fill Material	CY	1000	\$28.00	\$28,000.00	\$32.50	\$32,500.00	\$85.00	\$85,000.00	\$21.00	\$21,000.00
16	Geotextile Fabric	SY	1500	\$3.00	\$4,500.00	\$5.53	\$8,295.00	\$2.50	\$3,750.00	\$3.50	\$5,250.00
17	Rip Rap (Class I)	CY	500	\$79.00	\$39,500.00	\$66.85	\$33,425.00	\$74.00	\$37,000.00	\$43.00	\$21,500.00
18	VDOT #1 Stone	CY	1000	\$75.00	\$75,000.00	\$47.89	\$47,890.00	\$60.00	\$60,000.00	\$41.00	\$41,000.00
19	Crusher Run Stone	CY	1000	\$64.00	\$64,000.00	\$46.09	\$46,090.00	\$78.00	\$78,000.00	\$33.00	\$33,000.00
20	Coordination with Norfolk Southern for Railroad Crossing (RIFA will pay for permit and monitoring services)	LS	1	\$7,055.00	\$7,055.00	\$11,550.00	\$11,550.00	\$30,000.00	\$30,000.00	\$5,500.00	\$5,500.00
21	VDOT Land Use Permit Fee (includes Oak Hill Road)	LS	1	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00	\$1,410.00
22	Traffic Control and Management	LS	1	\$15,000.00	\$15,000.00	\$122,664.52	\$122,664.52	\$180,000.00	\$180,000.00	\$110,000.00	\$110,000.00
				Total	\$2,161,805.00	Total	\$2,360,899.44	Total	\$2,683,300.00	Total	\$2,816,580.00
Acknowledgement of Addenda (1&2)				Yes		Yes		Yes		Yes	
Bid Bond				Yes		Yes		Yes		Yes	
Qualifications Statement				Yes		Yes		Yes		Yes	
Evidence of Authority to do Business in the State of Virginia				Yes		Yes		Yes		Yes	
Contractor's License No.				2705105165A		2701027981		2705163562A		2701000873A	

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5G
Meeting Date:	December 14, 2018
Subject:	FY2018 Audited Financial Report and Audit Letters
From:	Michael L. Adkins, Authority Treasurer

SUMMARY

Included in the agenda packet is the audited *Financial Report* for fiscal year ending June 30, 2018, as well as the *Comments on Internal Control and Other Suggestions for Your Consideration* and the *Required Communication with Those Charged with Governance* letters for fiscal year 2018 from Brown, Edwards & Company, LLP, the independent auditors for RIFA. The auditors will attend the meeting on December 10, 2018 to discuss the audit and answer any questions regarding the audit.

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

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

RECOMMENDATION

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

ATTACHMENTS

Audited Financial Report for fiscal year ending June 30, 2018

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

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

**DANVILLE-PITTSYLVANIA REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

FINANCIAL REPORT

June 30, 2018

Danville-Pittsylvania Regional Industrial Facility Authority

Table of Contents

<i>Independent Auditor's Report</i>	1
<i>Financial Statements</i>	
<i>Statement of Net Position</i>	3
<i>Statement of Revenues, Expenses and Changes in Fund Net Position</i>	4
<i>Statement of Cash Flows</i>	5
<i>Notes to Financial Statements</i>	7
<i>Compliance Reports</i>	
<i>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</i>	15
<i>Summary of Compliance Matters</i>	17



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Danville-Pittsylvania Regional Industrial Facility Authority, as of June 30, 2018, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2017 financial statements, on which, in our report dated November 16, 2017, we expressed an unmodified opinion. The 2017 financial information is provided for comparative purposes only.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 28, 2018

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position
June 30, 2018

		(For Comparative Purposes Only)
	2018	2017
Assets		
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,525,656	\$ 1,290,474
Other receivables	226,301	1,376,619
Prepays	2,425	230
<i>Total current assets</i>	<u>1,754,382</u>	<u>2,667,323</u>
<u>Noncurrent assets</u>		
Restricted cash and cash equivalents	2,336,585	2,443,001
Due from City of Danville	232,802	208,947
Capital assets not being depreciated	24,781,371	24,781,371
Capital assets being depreciated, net	22,987,025	23,796,253
Construction in progress	9,827,751	7,330,582
<i>Total noncurrent assets</i>	<u>60,165,534</u>	<u>58,560,154</u>
Total assets	<u>61,919,916</u>	<u>61,227,477</u>
Liabilities		
<u>Current liabilities</u>		
Accounts payable - general	106,381	120,221
Accounts payable - construction	-	776,764
Accrued interest payable	33,501	46,552
Retainage payable	5,000	104,519
Unearned revenue	236,959	304,642
Bonds payable - current	1,288,450	1,228,450
<i>Total current liabilities</i>	<u>1,670,291</u>	<u>2,581,148</u>
<u>Noncurrent liabilities</u>		
Due to Pittsylvania County	232,802	208,947
Bonds payable	3,469,740	4,758,190
<i>Total noncurrent liabilities</i>	<u>3,702,542</u>	<u>4,967,137</u>
Total liabilities	<u>5,372,833</u>	<u>7,548,285</u>
Net position		
Net investment in capital assets	53,012,931	50,124,197
Restricted - debt reserves	2,161,611	2,240,371
Unrestricted	1,372,541	1,314,624
Total net position	<u>\$ 56,547,083</u>	<u>\$ 53,679,192</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2018

		(For Comparative Purposes Only)
	2018	2017
Operating revenues		
Virginia Tobacco Commission grants	\$ 2,284,431	\$ 2,378,009
Other income	352,572	249,826
Reimbursement of incentive grant	-	114,599
Total operating revenues	<u>2,637,003</u>	<u>2,742,434</u>
Operating expenses		
Depreciation and amortization	809,228	809,045
Economic development - Cyber Park	-	295,491
Economic development - Cane Creek Centre	1,925	157
Economic development - Mega Park	37,335	11,741
Other operating expenses	456,624	437,026
Total operating expenses	<u>1,305,112</u>	<u>1,553,460</u>
Operating income	<u>1,331,891</u>	<u>1,188,974</u>
Non-operating revenues (expenses)		
Bond issuance costs	-	(45,521)
Interest income	27,661	15,354
Interest expense	(71,397)	(79,986)
Total non-operating expenses	<u>(43,736)</u>	<u>(110,153)</u>
Net income before capital contributions	<u>1,288,155</u>	<u>1,078,821</u>
Capital contributions		
Contribution - City of Danville	789,868	776,526
Contribution - Pittsylvania County	789,868	776,526
Total capital contributions	<u>1,579,736</u>	<u>1,553,052</u>
Change in net position	2,867,891	2,631,873
Net position at July 1	<u>53,679,192</u>	<u>51,047,319</u>
Net position at June 30	<u><u>\$ 56,547,083</u></u>	<u><u>\$ 53,679,192</u></u>

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2018

	2018	(For Comparative Purposes Only) 2017
Operating activities		
Receipts from operating grants and activities	\$ 3,436,549	\$ 1,114,189
Payments to suppliers for goods and services	(55,296)	(24,336)
Other payments	(62,733)	(159,163)
Net cash provided by operating activities	<u>3,318,520</u>	<u>930,690</u>
Capital and related financing activities		
Purchase of capital assets	(2,822,120)	(1,997,239)
Capital contributions	1,009,076	1,828,183
Interest paid on bonds	(174,371)	(218,207)
Bond issuance costs paid	-	(45,521)
Principal repayments on bonds	(1,230,000)	(2,075,000)
Net cash used in capital and related financing activities	<u>(3,217,415)</u>	<u>(2,507,784)</u>
Investing activities		
Interest received	27,661	15,354
Net cash provided by investing activities	<u>27,661</u>	<u>15,354</u>
Net increase (decrease) in cash and cash equivalents	128,766	(1,561,740)
Cash and cash equivalents - beginning of year	<u>3,733,475</u>	<u>5,295,215</u>
Cash and cash equivalents - end of year	<u><u>\$ 3,862,241</u></u>	<u><u>\$ 3,733,475</u></u>
Reconciliation to Statement of Net Position		
Cash and cash equivalents	\$ 1,525,656	\$ 1,290,474
Restricted cash and cash equivalents	2,336,585	2,443,001
	<u><u>\$ 3,862,241</u></u>	<u><u>\$ 3,733,475</u></u>

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2018

	2018	(For Comparative Purposes Only) 2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 1,331,891	\$ 1,188,974
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	809,228	809,045
Non-cash economic incentive expenses	-	289,991
Operating in-kind expenses	41,319	28,036
Changes in assets and liabilities:		
Change in prepaids	(2,195)	2,140
Change in other receivables	1,150,318	(1,376,618)
Change in accounts payable - general	(13,841)	(9,078)
Change in unearned revenue	1,800	(1,800)
Net cash provided by operating activities	\$ 3,318,520	\$ 930,690
Supplemental cash flow information		
Capitalized interest	\$ 91,474	\$ 127,850
Capital asset additions financed by retainage payable	\$ 5,000	\$ 104,519
Capital asset additions financed by accounts payable	\$ -	\$ 776,764
Capital asset additions financed by locality contribution	\$ 459,858	\$ -

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Economic Incentive Grants

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

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

Cash and Cash Equivalents

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

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

2. Summary of Significant Accounting Policies (Continued)

Due From Other Governments

Due from other governments generally consists of grant reimbursements receivable from the Virginia Tobacco Commission or other grantor agencies. There was \$205,647 due from the Virginia Tobacco Commission at June 30, 2018.

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 and contributions received in advance.

Net Position

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

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

2. Summary of Significant Accounting Policies (Continued)

Estimates

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

Income Taxes

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

3. Deposits, Restricted Cash and Investments

Deposits

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following at June 30, 2018:

Bond funds to be used for improvements to Cane Creek Centre	\$ 237,928
Restricted funds for Cane Creek Centre debt service	174,974
Restricted funds for Berry Hill Industrial Park debt service	1,923,683
	<u>\$ 2,336,585</u>

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2018, the Authority's investments consisted money market U.S. Government repurchase agreements, floating and fixed rate securities, and U.S. treasury bills and coupons. The Authority's related debt investments were rated AAAM by Standard and Poor's and a weighted average maturity of less than one year. These funds are carried at a stable \$1.00 net asset value, and thus reported at amortized cost.

The Authority has no custodial credit risk policy. However, the Authority had no custodial credit risk related to its investments at June 30, 2018. The Authority does not have a policy related to interest rate risk.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

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, 2018, the Authority reflects amounts due to Pittsylvania County of \$232,802 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 2019, but rather that the balance will be adjusted annually based on contributions made by both localities.

5. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	June 30, 2017 Balance	Increases	Decreases	June 30, 2018 Balance
<i>Capital assets not being depreciated:</i>				
Cyber Park - Land	\$ 5,614,792	\$ -	\$ -	\$ 5,614,792
Cane Creek Centre - Land	6,104,039	-	-	6,104,039
Industrial Park - Land	13,062,540	-	-	13,062,540
<i>Total capital assets not being depreciated</i>	<u>24,781,371</u>	<u>-</u>	<u>-</u>	<u>24,781,371</u>
<i>Capital assets being depreciated:</i>				
Buildings	25,617,874	-	-	25,617,874
Building Improvements	310,697	-	-	310,697
Land Improvements	6,265,238	-	-	6,265,238
Infrastructure	2,006,965	-	-	2,006,965
<i>Total capital assets being depreciated</i>	<u>34,200,774</u>	<u>-</u>	<u>-</u>	<u>34,200,774</u>
<i>Less accumulated depreciation for:</i>				
Buildings	8,589,593	601,811	-	9,191,404
Building Improvements	78,202	8,126	-	86,328
Land Improvements	1,335,336	159,152	-	1,494,488
Infrastructure	401,390	40,139	-	441,529
<i>Total accumulated depreciation</i>	<u>10,404,521</u>	<u>809,228</u>	<u>-</u>	<u>11,213,749</u>
<i>Total capital assets being depreciated, net</i>	<u>23,796,253</u>	<u>(809,228)</u>	<u>-</u>	<u>22,987,025</u>
<i>Total capital assets, net</i>	<u>\$ 48,577,624</u>	<u>\$ (809,228)</u>	<u>\$ -</u>	<u>\$ 47,768,396</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

6. Construction in Progress

Construction in progress consisted of the following at June 30:

	<u>June 30, 2017</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u> <u>Balance</u>
Industrial Park*	\$ 7,330,582	\$ 2,497,169	\$ -	\$ 9,827,751

* Current year additions include capitalized interest of \$91,474. The construction in progress total for this project includes an accumulated total of \$1,307,712 capitalized interest at June 30, 2018.

7. Long-Term Debt

The following schedule represents all bonds payable:

<u>Description</u>	<u>Original Issue</u>	<u>Annual Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding</u> <u>June 30, 2018</u>
2016 Revenue Refunding bonds	\$ 3,700,000	\$ 385,000 – 3,700,000	2.27%	8/1/2019	\$ 2,950,000
2011 Revenue bonds	11,250,000	\$ 780,000 – 5,525,000	2.50 – 4.75%	9/1/2019	1,810,000
	<u>\$ 14,950,000</u>				<u>\$ 4,760,000</u>

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

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

Long-term debt activity for the year ended June 30, 2018 was as follows:

<u>Description</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 5,990,000	\$ -	\$ 1,230,000	\$ 4,760,000	\$ 1,290,000
Original issue discount	(3,360)	-	(1,550)	(1,810)	(1,550)
	<u>\$ 5,986,640</u>	<u>\$ -</u>	<u>\$ 1,228,450</u>	<u>\$ 4,758,190</u>	<u>\$ 1,288,450</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

7. Long-Term Debt (Continued)

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

Debt Maturity Schedule

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,290,000	\$ 126,218	\$ 4,913,162
2020	3,470,000	26,944	-
	<u>\$ 4,760,000</u>	<u>\$ 153,162</u>	<u>\$ 4,913,162</u>

8. Economic Development

In fiscal year 2018, the Authority entered into a local performance agreement with a North Carolina limited liability company that would locate in the Authority's Cane Creek Centre Industrial Park. Under the agreement, the Authority provides an Industrial Enhancement Grant in the amount of \$700,000 once the business completes installation of certain equipment of at least that amount in the Facility.

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, 2019 is estimated to be \$3,275.

10. Long-Term Operating Leases

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

The Research Building, which has a carrying value of \$5,145,739 at June 30, 2018 and accumulated depreciation of \$1,890,072, is leased to the Institute for Advanced Learning & Research (IALR) for \$10 per year per square foot occupied. The lease was renewed at the same rent terms on June 1, 2013 for a one-year period and will automatically renew annually thereafter for successive one year periods. The rent for the renewal is set forth in the lease agreement. Insurance costs are the responsibility of the lessee. Maintenance costs are the responsibility of the Authority; however, the lessee is engaged to provide for the maintenance obligations and is compensated for these services in an amount equal to the rent paid by the lessee. For fiscal year 2018, \$253,072 of rental income was received through this lease.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

10. Long-Term Operating Leases (Continued)

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

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

11. Commitments and Contingencies

At June 30, 2018, the Authority had approximately \$12.4 million in outstanding engineering and consulting contracts, of which approximately \$5,629,153 had not been expended.

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

On August 14, 2017, the Authority accepted a letter agreement with Appalachian Power Company (APCo). The agreement granted APCo permission to relocate a transmission line for the development of Lot 8 in the Berry Hill Industrial Park, at the company's expense; however, should the Authority cancel such development or delay completion of the project beyond January 31, 2019, the Authority agrees to pay up to \$20,000 in mobilization and other line relocation costs.

12. Subsequent Events

On July 20, 2018, the Authority made a partial disbursement of the Industrial Enhancement Grant funds totaling \$430,500 to a limited liability company that would locate in the Authority's Cane Creek Centre Industrial Park, with the remaining grant disbursement of \$269,500 to occur after the final piece of stock equipment is installed on or before December 31, 2018.

On September 10, 2018, the Authority entered into a local performance agreement with a Virginia public service corporation, for the construction of an electric power transmission line to service the Authority's Southern Virginia Mega Site at Berry Hill (Berry Hill Mega Park), at an estimated aggregate cost of \$1,655,000, for the permitting process, final line design and preliminary substation design, and right of way and substation site acquisition.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2018

13. Dissolution of Authority

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

* * * * *

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 28, 2018

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

SUMMARY OF COMPLIANCE MATTERS Year Ended June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Conflicts of Interest

**DANVILLE-PITTSYLVANIA REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

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

June 30, 2018

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS	1
PRIOR YEAR COMMENTS AND SUGGESTIONS	
Segregation of Duties	3
ACCOUNTING AND OTHER MATTERS	4



INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

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

In planning and performing our audit of the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate for the purpose of expressing our opinion on the financial statements and to comply with *Government Auditing Standards*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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

Additionally, during our audit, we may have become aware of certain other matters that provide opportunities for improving your financial reporting system and/or operating efficiency. Such comments and suggestions regarding these matters, if any, are included in the attached report, but are not designated as a material weakness or significant deficiency. Since our audit is not designed to include a detailed review of all systems and procedures, these comments should not be considered as being all-inclusive of areas where improvements might be achieved. We also have included information on accounting and other matters that we believe is important enough to merit consideration by management and those charged with governance. It is our hope that these suggestions will be taken in the constructive light in which they are offered.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study on these matters, or to assist you in implementing the recommendations.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 28, 2018

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

PRIOR YEAR COMMENTS AND SUGGESTIONS

June 30, 2018

SEGREGATION OF DUTIES

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

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

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

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

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

NEW GASB PRONOUNCEMENTS

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.

The GASB issued **Statement No. 83, *Certain Asset Retirement Obligations*** in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

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

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

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

(Continued)

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

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

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

The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

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

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

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

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

The requirements of this Statement are effective for periods beginning after December 15, 2018.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

The GASB issued **Statement No. 87, Leases** in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease

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

Lease Term

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

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

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

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

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

Short-Term Leases

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

Lessee Accounting

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

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

Lessor Accounting

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

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

Contracts with Multiple Components and Contract Combinations

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

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

Lease Modifications and Terminations

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

Subleases and Leaseback Transactions

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

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

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

The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** in March 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for periods beginning after June 15, 2018.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

The GASB issued **Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*** in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

(Continued)

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

GOVERNMENTAL INDUSTRY UPDATES

SUPREME COURT LEVELS PLAYING FIELD FOR RETAILERS

On June 21, in a 5-4 decision, the Supreme Court overturned precedent in favor of state and local governments in a major tax case, *South Dakota v. Wayfair*. The court said governments can require remote retailers with no physical presence in their state to collect and remit sales taxes.

The ruling follows what local governments viewed as years of congressional inaction on discrepancies between the tax treatment of online retailers versus “Main Street,” or brick-and-mortar businesses.

The case produced curious alliances, with Justice Anthony Kennedy writing the majority opinion and being joined by Justices Ruth Bader Ginsberg, Samuel Alito, Neil Gorsuch, and Clarence Thomas. Chief Justice John Roberts wrote for the minority and was joined by Justices Stephen Breyer, Sonia Sotomayor, and Elena Kagan.

What the Supreme Court Said

The majority said the requirement of physical presence for tax purposes established in *National Bellas Hess v. Illinois* (1967) and affirmed in *Quill v. North Dakota* (1992) was both “unsound and incorrect.” The majority said that in today’s growing e-commerce environment, the physical presence test was an unnecessarily strict threshold for determining whether a state or local government can require sales tax collection from a retailer.

In addition, while the physical presence test was meant to prevent discrimination between intrastate and interstate commerce, it effectively discriminated by creating a tax shelter for businesses that sell goods and services to the state’s consumers, but do not maintain a physical presence in the state.

There is one important caveat to the ruling, which is otherwise a significant win for local governments. The case has been remanded to South Dakota courts for further proceedings, meaning that South Dakota’s taxation law is still subject to other aspects of Commerce Clause review.

In particular, the South Dakota courts may consider whether the taxation scheme places undue burden on online retailers. The Government Finance Officers Association’s federal liaison center noted that the court emphasized that the question of undue burden on businesses has not yet been resolved.

Impact on Local Governments

Forty-five states impose a sales tax. Only Alaska, Delaware, Montana, New Hampshire, and Oregon do not. In addition, local sales taxes are collected in 38 states. Sales tax is the second-largest revenue source for counties nationwide, and uniform enforcement and collection is a top priority for county governments.

The ruling is expected to result in anywhere from \$8 billion to \$33.9 billion in additional annual sales tax revenue for state and local governments. The large variation is based on estimates from different survey groups. For instance, the Government Accounting Office estimates state and local governments lose \$8 billion to \$13.4 billion a year in uncollected taxes from online sales, while the International Council of Shopping Centers and the National Conference of State Legislatures estimated in 2015 that the difference in treatment of state and local governments cost \$26 billion.

Some deviation in potential receipts is expected in the near term because not all states have set a date when they will implement the Supreme Court ruling.

(Continued)

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

Impact on Local Governments (Continued)

The National League of Cities suggests that, in the future, having a substantial economic presence in a state will likely be sufficient grounds for a state and local government to require a retailer to collect and remit sales taxes. It is important to remember that the case is not about imposing new taxes on retailers, but rather about treating businesses similarly, allowing state and local governments to collect billions in lost revenue each year.

Moving Forward

Some states have been working on laws similar to South Dakota's, and more will take up the issue as a result of the *Wayfair* decision. Local governments can work with their state municipal leagues, county associations, and state legislatures to ensure that methods for collecting local sales taxes are included in any proposed legislation.

Twenty-four states have adopted the Streamlined Sales and Use Tax Agreement, which offers a model for how states can simplify and centralize their tax collection methods. More states are expected to adopt the agreement.

The agreement is a cooperative effort of 44 states, the District of Columbia, local governments, and the business community to simplify and make more uniform the sales and use tax collection and administration by retailers and states. The agreement minimizes costs and administrative burdens on retailers that collect sales tax and encourages "remote sellers" to collect tax in states that have adopted it.

Information on the agreement and which states have adopted it can be found at <http://www.streamlinedsalestax.org/>.

Conclusion

The recently decided *Wayfair* case has been remanded for further proceedings not inconsistent with the court's opinion. While it is worthwhile for local governments to move forward with activities related to encouraging state or local action with respect to sales tax collection, tax and legal professionals will need time to digest the opinion and consider its application in different scenarios.

Also, to the extent states wish to adopt tax statutes like South Dakota's, it will bear watching to see whether other applications of Commerce Clause review will invalidate all or some of South Dakota's law.

It is still possible that Congress will take action addressing the issue of online taxation. Local governments should monitor congressional developments and be prepared to make their views known if legislation begins to move this fall.

STATE AND LOCAL PENSIONS IN CONTEXT: HISTORY AND CURRENT TRENDS

Addressing the budgetary effects of current and future pension obligations is high on the list of concerns for local government financial officers and elected officials. While retirement system costs remain a relatively small portion of state and local government budgets (on average 4 to 9 percent), more than 40 percent of cities reported a rise in costs associated with pensions in the last year.

A recent National League of Cities [survey](#) found that the cost of employee/retiree pensions ranks third – after infrastructure and public safety needs – as the most negative factor affecting city budgets.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

In addition to the growing costs and fees associated with pension funds, local governments face demographic challenges in reaching or sustaining full funding because fewer active workers are available to provide contributions that support benefit payments to current retirees.

Currently, the U.S. averages 1.53 current state or local government workers to 1 retiree. However, there is a lot of variation, and some states – Nebraska, Texas, and Utah – have more than two active workers per retiree, while others have less than one worker per retiree (Alaska, Michigan, and Pennsylvania).

Local governments need to carefully evaluate their investment strategies to address these challenges.

Pension Composition and Investment History

Beginning in the 1970s, state and local pension funds began to take steps to advance-fund their pensions. Public pension plans started shifting funds away from low-risk, fixed-income investments to equities and alternative investments. According to the Urban Institute, pension plans receive most of their annual income from investments rather than contributions. In 2013, 71 percent of total pension plan revenue came from net investment earnings, 20 percent came from employer contributions, and 8 percent came from employee contributions.

Alternative investments include private equity, hedge funds, real estate, and commodities. These can be more difficult to value than stocks or bonds and generally carry higher fees. They can be used to diversify investment portfolios or achieve higher rates of return, but also come with higher levels of risk.

Many public plans exceeded their investment return targets in the 1990s, and by 2000, most public plans were nearly 100 percent funded. Unfortunately, the last decade of economic upheaval and stock market volatility reduced pension assets and rates of return. This led to higher pension costs for state and local budgets, and resulted in pension plans no longer being fully funded.

Alternative Investments and Pension Yields

State-sponsored pension plans, in which many local governments participate rather than maintain their own plans, use a wide range of investment strategies. A 2017 Pew Charitable Trusts [survey](#) of investment data for the 73-largest public funds found that use of alternative investments ranges from zero to more than 50 percent of fund portfolios, depending on the fund. Several public pension funds surveyed are interesting noteworthy for their investments and returns.

For example, the Washington Department of Retirement Systems (WDRS) is among the highest-performing public funds. WDRS, one of the earliest adopters of alternative investments, began investing in private equities in 1981. In 2014, the WDRS had 36.3 percent of total investments in alternative asset classes, including 22.3 percent in private equity, 12.4 percent in real estate, and 1.6 percent in other alternatives. Notably, it does not hold any hedge funds. Because of its holdings, WDRS's 10-year returns were among the highest in the data Pew surveyed, reaching 7.6 percent in 2015.

By comparison, the three funds with the weakest 10-year performance made some of the largest and most recent shifts to alternative investments. Additionally, their hedge fund allocations are significantly more than the hedge fund allocations for WDRS. An independent audit of the South Carolina Retirement System's (SCRS), one of the three funds with the weakest performance, suggests that rapid diversification into alternative investments with large hedge fund investment was overly challenging for a new, under-resourced program.

(Continued)

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

By way of further comparison, some plans, unlike WDRS or SCRS, have consistently achieved relatively high returns without a heavy reliance on alternatives. The two Oklahoma state-sponsored retirement systems in the Pew survey are robust examples of this approach. One of the plans has lower-than-average allocations to alternatives while the other holds no alternatives, yet both plans have performed better than the average fund performance of 6.6 percent over 10 years.

The Oklahoma Teachers Retirement System (OTRS) had a 10-year return of 8.3 percent in 2015 and holds only 17 percent of its assets in alternatives, well below the average of 25 percent. Diversifying within its equity portfolio, employing low-fee strategies, and cutting operating costs are key features of its overall strategy.

The Oklahoma Public Employees Retirement System (OPERS), on the other hand, holds no alternative investments. OPERS's investment principles are guided by long investment horizons and a focus on long-term results. The system incorporates diversification passive investment management, except in less-efficient markets where it implements a more active strategy.

Long-Term Fiscal Benefit

Local officials should understand the specific pension needs of their communities and how to evaluate the health of their individual plans. In addition, they should understand not only the investment vehicles they choose for plans they administer, but also the investment vehicles of their state plans and how their experience compares to other states. In this way they can make better-informed decisions and influence the path forward for their investments to meet the challenges pension plan funding poses to local budgets.

KENTUCKY TAKES NEW ROUTE TO WIDER BROADBAND ACCESS

Many Americans, especially those in poor or rural areas, do not have access to high-speed internet services – at a time when wireless connectivity is becoming an integral part of everyday life.

FCC Chairman Ajit Pai announced in January that he was seeking an additional \$500 million to be used to bring down the cost of deployment in high-cost rural areas and that he was seeking reforms in the high-cost program to promote efficiency while minimizing potential abuse. “We need more deployment in sparsely populated rural areas if we are going to extend deployment to all Americans,” Pai said.

Groups like the National League of Cities, National Association of Counties, and the National Association of Towns and Townships agree that both rural America and poor urban areas suffer from significant gaps in accessibility. These groups, in concert with the National Association of Telecommunications Officers and Advisors and others, have long advocated for more funding and better legislative solutions, whether at the FCC, in Congress or in various states.

The groups also lobby for the ability of local governments to provide broadband services, much as they do other utilities and infrastructure, such as water and sewer, electricity, roads, and bridges.

However, the legislatures in approximately 20 states have chosen to restrict or prohibit elected leaders from acting to improve coverage for their businesses and residents. Kentucky is not one of those states.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

Kentucky Promotes Public-Private Partnership

The public-private partnership Kentucky has created may serve as a model for governments in other states to bring broadband to underserved communities, whether at the state or local level. KentuckyWired plans to bring high-speed access to the entire state, including its most underserved and geographically inaccessible areas.

Kentucky's abundant limestone and dolomite deposits make burying cable or fiber a challenge. The Appalachian Mountains also present obstacles for stringing wire over poles, making it financially infeasible for most private telecommunications companies to provide service.

While residents in some areas may be able to access social media or even stream videos, for much of the state – east Kentucky in particular – the broadband infrastructure can't support high-tech business ventures or educational needs that rely on high-speed internet capacity.

KentuckyWired's goal is to provide the "middle mile" of broadband infrastructure for all 120 counties, without becoming an internet service provider. KentuckyWired expects to give direct broadband access to public schools and universities, state agencies, and other public institutions, while leasing access to private interests. To date, the project has built out about 600 miles of fiber and acquired leases for 50,000 of the 59,000 poles it needs for attachment.

Progress has been slowed because of delays in obtaining the necessary approvals from local governments and telecommunications providers alike. The slow roll has caused Kentucky taxpayers to assume the added contractual costs related to the delays. However, supporters hope once negotiations for the final portions of the project are complete, KentuckyWired will showcase the state as a technological pioneer in the provision of low-cost broadband services.

KentuckyWired may have its problems and cost overruns, but its potential transformative value is enormous. If successful, it will be a model to address the problem local elected officials face in working with telecommunications providers, whose financial interests cannot directly support an infrastructure investment. A well-structured public-private partnership, whether local, regional, or statewide, may provide a solution.

June 30, 2018

CPAs and cybersecurity: Helping you build trust and transparency

Stolen data. System shutdowns. Widely publicized breaches.
High-dollar lawsuits.

Is your organization prepared for a cybersecurity attack? Boards of directors, senior management and other stakeholders are requesting more information than ever before about organizations' cybersecurity risk management programs.

Using the AICPA's SOC for Cybersecurity framework, CPAs can provide assurance over the effectiveness of controls within your organization's cybersecurity risk management program, helping build trust and transparency for customers, investors and leadership.



4 of the leading 13 information security and cybersecurity consultants are CPA firms.

CPA firms deploy multidisciplinary teams composed of licensed CPAs and information technology and security specialists to ensure a comprehensive and thorough evaluation of your cybersecurity risk management program and its effectiveness in meeting your organization's cybersecurity objectives.

What is SOC for Cybersecurity?

The SOC for Cybersecurity examination provides an independent, entity-wide assessment of your organization's cybersecurity risk management program.

- Appropriate for businesses, not-for-profits and virtually any other type of organization
- Helps reduce uncertainty and build resilient organizations by evaluating effectiveness of existing cybersecurity processes and controls
- Permits flexibility by not constraining management to a particular security management framework or control framework
- Results in a general use report on whether:
 - The description of an entity's cybersecurity risk management program is presented in accordance with description criteria and
 - The controls within that program were effective in achieving the entity's cybersecurity objectives



62%

of executives expect to see an increase in reporting requests from their board of directors on cybersecurity program effectiveness.

(Source: Deloitte, 2018. "Corporate Boards May Be More Likely Than Regulators to Scrutinize Cybersecurity Program Effectiveness This Year.")

AICPA cybersecurity risk management reporting framework

The AICPA cybersecurity risk management reporting framework helps organizations communicate about the effectiveness of their cybersecurity risk management programs via three components:

- **Description Criteria for Management's Description of an Entity's Cybersecurity Risk Management Reporting Program** – This is used by management to provide transparency regarding its cybersecurity risk management program and used by CPAs to report on management's description. Management's description provides users of the report with information that can help them understand the entity's cybersecurity risks and how it manages those risks. Description criteria includes considerations on the nature of an entity's business and operations, factors affecting inherent cybersecurity risk, risk governance and assessment process and the monitoring of the cybersecurity program, among other criteria.
- **2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality and Privacy** – This is used by management to evaluate the effectiveness of controls and used by CPAs providing advisory or attestation services to evaluate and report on the effectiveness of controls within the cybersecurity risk management program.
- **AICPA Guide Reporting on an Entity's Cybersecurity Risk Management Program and Controls** – This attestation guidance assists CPAs engaged to examine and report on an entity's cybersecurity risk management program (SOC for Cybersecurity). This guide also contains information that can assist management in understanding the SOC for Cybersecurity engagement and its responsibilities with respect to the engagement.

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

Why CPA firms? Education. Experience. Expertise.

The education, experience and expertise of CPAs position them as the premier providers of SOC for Cybersecurity services.

- Knowledge of relevant IT systems and technology, including mainframes, networking, firewalls, network management systems, security protocols and operating systems
- Understanding of IT processes and controls — such as management of operating systems, networking and virtualization software and related security techniques; security principles and concepts; software development; and incident management and information risk management
- Experience with common cybersecurity publications and frameworks (NIST CSF, ISO 27001/27002, 2013 COSO *Internal Control — Integrated Framework*, COBIT 5, etc.)
- Expertise in evaluating processes, control effectiveness and providing advisory services relating to these matters
- Multidisciplinary teams that incorporate certified information security professionals such as Certified Information Systems Security Professionals (CISSP), Certified Information Systems Auditors (CISA) and Certified Information Technology Professionals (CITP®)
- Proficiency in measuring performance against established criteria, applying appropriate procedures for evaluating against those criteria and reporting results
- Strict adherence to service-specific professional standards, professional code of conduct and quality control requirements
- Holistic understanding of entity's industry and business, including whether the industry in which the entity operates is subject to specific types of or unusual cybersecurity risks and uses specific industry technology systems
- Objectivity, credibility and integrity
- Independence, professional skepticism and commitment to quality
- Strong analytical skills
- International perspective for global organizations

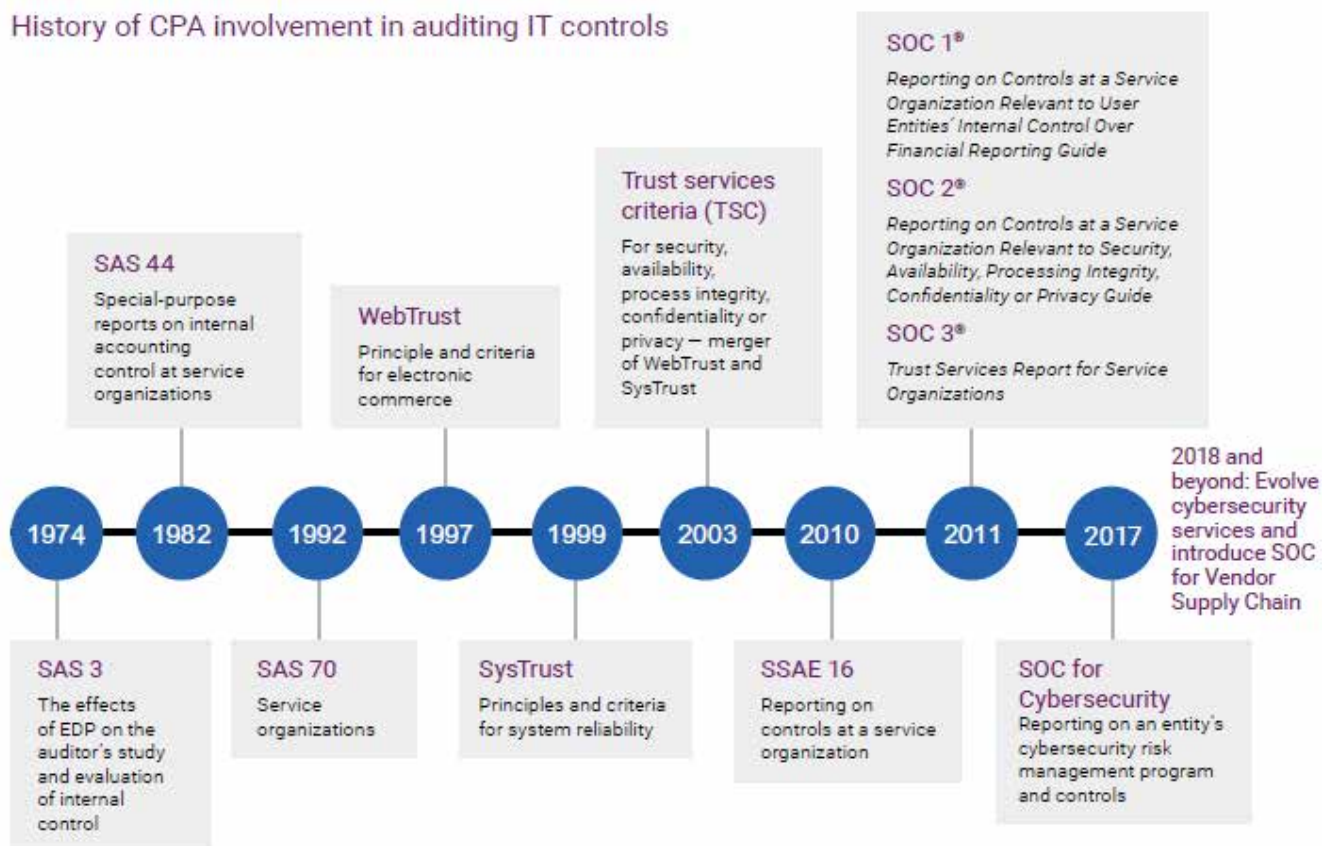
DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

ACCOUNTING AND OTHER MATTERS

June 30, 2018

CPAs: Forerunners in the cybersecurity movement

History of CPA involvement in auditing IT controls



1970s – CPAs required to consider effects of electronic data processing on the evaluation of internal control in financial statement audits.

1990s – CPAs begin performing SAS 70 audits to report on the effectiveness of internal control over financial reporting.

2000s – CPAs begin using the trust services criteria for evaluating controls relevant to security, availability, processing integrity, confidentiality and privacy and issuing SOC reports to address vendor management needs related to outsourced services.

2017 – Introduction of SOC for Cybersecurity attestation services for CPAs to report on the effectiveness of controls within an organization's cybersecurity risk management program.

2018 and beyond – Continue to evolve cybersecurity services and introduce SOC for Vendor Supply Chain to enable users of products produced, manufactured and distributed by an entity to better understand and manage risks, including cybersecurity risks, arising from their business relationships with the entity.

REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority (the “Authority”) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2018. As described in Note 2, management has accounted for economic incentive grants and agreements with “grantee” industries locating in the area as voluntary non-exchange transactions under *Governmental Accounting Standards Board* Statement No. 33. Under this method, the Authority reports the expenses associated with these incentives once a grantee has met the initial requirements in its performance agreement with the Authority, and it appears unlikely that the grantee will fail to maintain these requirements throughout the specified performance period or unlikely that the resources granted would be recoverable. We have discussed the accounting for these transactions with management and believe the method selected is appropriate in this circumstance, but accounting for transactions such as these involves significant judgment. All significant transactions have been recognized in the financial statements in the proper period.

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

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

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

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements noted during the June 30, 2018 audit.

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

- An \$18,000 increase to construction in progress and a corresponding increase to operating revenue.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Audit Findings (Continued)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2018, a copy of which is attached.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

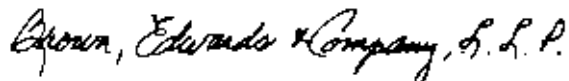
Cybersecurity Risk Management

In today’s environment of increasingly frequent cyber-attacks, ensuring the adequacy of cybersecurity is a critical aspect of board oversight. In addition to significant business disruption, substantial response cost, negative publicity, and reputational harm, cybersecurity breaches can result in litigation, and leaders may face potential liability if they failed to implement adequate steps to protect the organization.

Evidence suggests there may be a gap between the magnitude of exposure presented by cyber-risks and steps many corporate boards have taken to address these risks. Organizational leaders should be asking themselves what they can, and should, be doing to effectively oversee cyber-risk management. Brown Edwards can assist you in evaluating your response to these risks, and advising you as you mitigate them. Ask our team how our resources can be part of your cybersecurity solution.

Restriction on Use

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



CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
November 28, 2018

Danville-Pittsylvania Regional Industrial Facility Authority

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

November 28, 2018

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

This representation letter is provided in connection with your audit of the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), which comprise the financial position of the Authority as of June 30, 2018, and the changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 28, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 16, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) You have proposed adjusting journal entries that have been posted to the entity's accounts. We are in agreement with those adjustments.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.
- 11) We have provided the planning communication letter to all members of those charged with governance as requested.

Information Provided

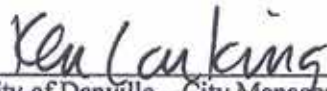
- 12) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

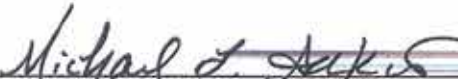
Government—specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have a process to track the status of audit findings and recommendations.

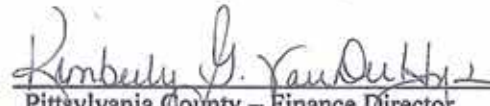
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 27) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 28) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 29) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 30) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 37) Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility, changes in market value, or the marketability of land.
- 38) We are not aware of any conditions that would result in an impairment of any capital assets.
- 39) We have not completed the process of evaluating the impact that will result from adopting new Governmental Accounting Standards Board (GASBS) Statements that are not yet effective, as discussed in the notes to financial statements. The entity is therefore unable to disclose the impact that adopting these Statements will have on its financial position and the results of its operations when the Statements are adopted.
- 40) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 42) 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, 2018. We are in agreement with the changes in the due to/from account based on contributions by each locality in fiscal year 2018.
- 43) Expenditures of federal awards were below the \$750,000 threshold in the audit period, and we were not required to have an audit in accordance with the Uniform Guidance.
- 44) We reaffirm the representations made to you in our letter dated November 16, 2017 regarding your audit for the fiscal year ended June 30, 2017.
- 45) There are no contingent liabilities whereby the Authority could be obligated to repay Tobacco Commission or other funds upon the failure of a grantee entity to comply with grant requirements.

Signature: 
Title: City of Danville – City Manager

Signature: 
Title: City of Danville – Finance Director

Signature: 
Title: Pittsylvania County – County Administrator

Signature: 
Title: Pittsylvania County – Finance Director

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5H
Meeting Date:	December 14, 2018
Subject:	Financial Status Reports – November 30, 2018
From:	Michael L. Adkins, Authority Treasurer

SUMMARY

A review of the financial status reports through November 30, 2018 will be provided at the meeting. The financial status reports as of November 30, 2018 are attached for the DPRIFA Board's review.

RECOMMENDATION

Staff recommends approving the financial status reports as of November 30, 2018 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 FY2019
- C. SVMS at Berry Hill – Funding Other than Bond Funds
- D. SVMS at Berry Hill – Lot 4 Site Development
- E. SVMS at Berry Hill – Lot 8 Site Development
- F. SVMS at Berry Hill – Water & Sewer
- G. Rent, Interest, and Other Income Realized
- H. Unaudited Financial Statements

Danville-Pittsylvania Regional Industrial Facility Authority

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

As of November 30, 2018

	<u>Funding</u>	<u>Budget / Contract Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
Funding					
Funds from bond issuance	\$7,300,000.00				
Issuance cost	(155,401.33)				
Refunding cost ⁷	(52,500.00)				
Bank fees	(98.25)				
Interest earned to date	486,581.70				
Cane Creek Parkway ³		\$3,804,576.00	\$3,724,241.16	\$	-
Swedwood Drive ²		69,414.00	69,414.00		-
Cane Creek Centre entrance ³		72,335.00	53,878.70		-
Financial Advisory Services		9,900.00	9,900.00		-
Dewberry contracts ¹		69,582.50	69,582.50		-
Dewberry contracts not paid by 1.7 grant ^{4, 5}		71,881.00	32,879.12	39,001.88	
Land		-	2,792,945.57		-
Demolition services		71,261.62	71,261.62		-
Legal fees		-	136,369.73		-
CCC - Lots 3 & 9 project - RIFA Local Share ⁶		142,190.00	112,464.98		-
Other expenditures		-	345,194.30		-
Total	\$ 7,578,582.12	\$ 4,311,140.12	\$ 7,418,131.68	\$ 39,001.88	\$ 121,448.56

notes:

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

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

³ Project completed under budget

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

⁵ 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.

⁶ The budget amount decreased \$71,279.61 from the 9/30/2010 reports. This amount represented the remaining budget amount carried from the \$1.7 SP grant upon its expiration for the following contracts: Wetland Delineation, Wetland Bank Plan Rev., Stream Concept Plan, & Stream Attribute Plan. Per Shawn Harden of Dewberry, these contracts are complete and finished under budget. The only contract that remains open is for Wetland Monitoring and the budget, expended, and encumbered amounts included here are only for this contract.

⁷ 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.

⁸ The \$7.3 million bonds were refunded on 8/1/2013 with the issuance of refunding bonds in the amount of \$5,595,000.

Road Summary-Cane Creek Parkway:

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

Funding Summary - Cane Creek Parkway

VDOT	\$ 1,467,340.00
Bonds	3,804,576.00
	\$ 5,271,916.00

Danville-Pittsylvania Regional Industrial Facility Authority

General Expenditures for Fiscal Year 2019

As of November 30, 2018

	<u>Funding</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
<i>Funding</i>					
City Contribution	\$ 75,000.00				
County Contribution	75,000.00				
Carryforward from FY2018	37,099.21				
<i>Contingency</i>					
Miscellaneous contingency items		\$ 53,022.94	\$ 2,940.00	\$ -	\$ 50,082.94
Southern Virginia Mega Site at Berry Hill helipad		\$ 4,351.27	4,351.27		-
<i>Total Contingency Budget</i>		57,374.21	7,291.27	-	50,082.94
<i>Legal</i>		100,000.00	13,905.40	-	86,094.60
<i>Accounting</i>		21,525.00	7,000.00	-	14,525.00
<i>Annual Bank Fees</i>		600.00		-	600.00
<i>Postage & Shipping</i>		100.00		-	100.00
<i>Meals</i>		4,000.00	1,022.35	-	2,977.65
<i>Utilities</i>		500.00	92.10	-	407.90
<i>Insurance</i>		3,000.00		-	3,000.00
<i>Total</i>	\$ 187,099.21	\$ 187,099.21	\$ 29,311.12	\$ -	<u>\$ 157,788.09</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Southern Virginia Mega Site at Berry Hill - Funding Other than Bond Funds
As of November 30, 2018

	<u>Funding</u>	<u>Budget / Contract Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
Funding					
City contribution	\$ 134,482.50				
County contribution	134,482.50				
City advance for Klutz, Canter, & Shoffner property ^{1,4}	10,340,983.83				
Tobacco Commission FY09 SSED Allocation	3,370,726.00				
Tobacco Commission FY10 SSED Allocation - Engineering Portion	407,725.00				
Tobacco Comm. FY10 SSED Allocation - Eng. Portion Deobligated	(244,797.00)				
Local Match for TIC FY10 SSED Allocation - Engineering Portion ⁵	76,067.61				
Additional funds allocated by RIFA Board on 1/14/2013 ⁶	11,854.39				
Contingency funds allocated per Resolution 2017-08-14-5C ⁹	20,000.00				
TIC #2264 - Phase II Land and Engineering	1,659,500.00				
Land					
Klutz property		\$ 8,394,553.50	\$ 8,394,553.50	\$ -	
Canter property ²		1,200,000.00	1,200,000.00	-	
Adams property		37,308.00	37,308.00	-	
Carter property		5,843.00	5,843.00	-	
Jane Hairston property		1,384,961.08	1,384,961.08	-	
Bill Hairston property		201,148.00	201,148.00	-	
Shoffner Property		1,872,896.25	1,872,896.25	-	
Other					
Dewberry & Davis		28,965.00	28,965.00	-	
Dewberry & Davis ³		990,850.00	987,879.29	2,970.71	
Consulting Services - McCallum Sweeney ⁷		115,000.00	103,796.85	-	
Dewberry Engineers (related to #2264)		4,500.00	-	4,500.00	
Appalachian Power Company		1,655,000.00	180,000.00	1,475,000.00	
Transfer available funds to "Berry Hill Mega Park - Lot 4 Site Development" Project ⁸		-	11,203.15	-	
Transfer from General Funds contingency ⁹		20,000.00		20,000.00	
Total	\$ 15,911,024.83	\$ 15,911,024.83	\$ 14,408,554.12	\$ 1,502,470.71	\$ -

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

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

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

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

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

⁶ Due to the expiration of the Tobacco Commission FY10 SSED Allocation, the RIFA Board approved on 1/14/2013 to utilize \$11,854.39 of the 'Funds Available for Appropriation' to cover the funding shortfall for the budgeted Dewberry & Davis contract.

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

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

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

Danville-Pittsylvania Regional Industrial Facility Authority
Southern Virginia Mega Site at Berry Hill - Lot 4 Site Development
As of November 30, 2018

	<u>Funding</u>	<u>Budget / Contract Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
Funding					
Tobacco Commission FY12 Megasite Allocation	\$ 6,208,153.00				
Local Match for TIC FY12 Megasite Allocation - County Portion ¹	750,000.00				
Local Match for TIC FY12 Megasite Allocation - City Portion ¹	750,000.00				
Local Match for TIC FY12 Megasite Allocation - RIFA Portion ²	181,000.00				
Transfer in from "Mega Park - Funding Other than Bond Funds" Budget ³	11,203.15				
Expenditures					
Dewberry Engineers Inc.		1,688,062.81	1,500,562.81	187,500.00	
Jones Lang LaSalle		95,000.00	95,000.00	-	
Jones Lang LaSalle - Economic Analysis		12,000.00	12,000.00	-	
VA Water Protection Permit Fee		57,840.00	57,840.00	-	
Wetlands Studies and Solutions, Inc.		77,027.64	77,027.64	-	
Banister Bend Farm, LLC - Wetland and Stream Credits		122,968.00	122,968.00	-	
DEQ - Construction Activity General Permit		9,600.00	9,600.00	-	
Haymes Brothers, Inc. - Construction on Phase 1 Graded Pad		4,250,475.11	4,243,151.21	7,323.90	
Haymes Brothers, Inc. - Phase 1 Pad A Extension/Expansion		-	-	-	
Transfers to "General Expenditures Fiscal Year 2015" Contingency ³					
Dewberry Engineers Inc.		(108,603.35)	(108,603.35)	-	
Jones Lang LaSalle - Market Analysis Study		(95,000.00)	(95,000.00)	-	
Jones Lang LaSalle - Economic Analysis		(12,000.00)	(12,000.00)	-	
Total	\$ 7,900,356.15	\$ 6,097,370.21	\$ 5,902,546.31	\$ 194,823.90	<u>\$ 1,802,985.94</u>

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

² The RIFA Board approved on 2/11/2013 to transfer the remaining funds of \$175,316.17 from the "Funds Available for Appropriation" budget sheet and funds of \$5,683.83 from the "Rent, Interest, and Other Income Realized" budget sheet to use for the RIFA local match to Tobacco Commission grant #2491 for Berry Hill Mega Park Lot 4 Site Development.

³ As approved by RIFA Board on 10/16/2014

Danville-Pittsylvania Regional Industrial Facility Authority

Southern Virginia Mega Site at Berry Hill - Lot 8 Site Development

As of November 30, 2018

	<u>Funding</u>	<u>Budget / Contract</u> <u>Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended /</u> <u>Unencumbered</u>
Funding					
TIC #3358 Site Improvements for Project Lignum					
Tobacco Commission Grant	\$ 2,624,800.00				
State Match for Property & Improvements	500,000.00				
County Match for Contractual Services	261,800.00				
County Match for Property & Improvements	800,600.00				
City Match for Contractual Services	261,800.00				
City Match for Property & Improvements	800,600.00				
Expenditures					
Dewberry Engineers Inc.		89,300.00	82,800.00	6,500.00	
Total	\$ 5,249,600.00	\$ 89,300.00	\$ 82,800.00	\$ 6,500.00	\$ 5,160,300.00

Danville-Pittsylvania Regional Industrial Facility Authority

Southern Virginia Mega Site at Berry Hill - Water & Sewer

As of November 30, 2018

	<u>Funding</u>	<u>Budget / Contract Amount</u>	<u>Expenditures</u>	<u>Encumbered</u>	<u>Unexpended / Unencumbered</u>
<i>Funding</i>					
<i>TIC #2641 Phase I Sanitary Sewer</i>					
Tobacco Commission Grant 2641	\$ 4,908,240.00				
Local Match for Contractual Services	282,400.00				
Local Match for Property & Improvements	262,960.00				
<i>TIC #3011 Water System Improvements Phase II</i>					
Tobacco Commission Grant 3011	2,241,567.00				
Local Match for Property & Improvements	224,160.00				
<i>Expenditures</i>					
Dewberry Engineers Inc.		398,284.00	75,408.40	322,875.60	
Haymes Brothers, Inc. - Phase I Sanitary Sewer Project		4,856,169.75	352,287.56	4,503,882.19	
Norfolk Southern Railway Company		22,300.00	22,300.00	-	
Pittsylvania County Service Authority		1,475.00	1,475.00	-	
Treasurer of Virginia		5,200.00	5,200.00	-	
AECOM		5,000.00	5,000.00	-	
BH Media Group, Inc.		296.00	296.00	-	
<i>Total</i>	\$ 7,919,327.00	\$ 5,288,724.75	\$ 461,966.96	\$ 4,826,757.79	\$ <u>2,630,602.25</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Rent, Interest, and Other Income Realized for Fiscal Year 2019
As of November 30, 2018

<i>Source of Funds</i>	<u>Funding</u>		<u>Expenditures</u> <u>FY2019</u>	<u>Unexpended /</u> <u>Unencumbered</u>
	<u>Carryforward</u> <u>from FY2018</u>	<u>Receipts</u> <u>Current</u> <u>Month</u>		
<u>Carryforward</u>	\$ 738,132.03			
<u>Current Lessees</u>				
Institute for Advanced Learning and Research (IALR) ¹			\$ 59,296.18	
<u>Park</u>				
Cyberpark				
<u>Total Rent</u>		\$ -	\$ 59,296.18	
<u>Interest Received</u> ²		\$ 439.78	\$ 1,743.49	
<u>Miscellaneous Income</u>			\$ 973,000.00	
<u>Expenditures</u>				
Hawkins Research Bldg. Property Mgmt. Fee			\$ 59,296.18	
Disbursement to Unision Tube (Enhancement Grant and DRF Grant)			\$ 764,137.50	
<u>Totals</u>	\$ 738,132.03	\$ 439.78	\$ 1,034,039.67	\$ 823,433.68
				\$ 948,738.02
			Restricted ¹	\$ 313,695.06
			Unrestricted	\$ 635,042.96

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

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

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position ^{1, 2}
November 30, 2018*

	Unaudited FY 2019
Assets	
<u>Current assets</u>	
Cash - checking	\$ 713,516
Cash - money market	797,051
Accounts receivable	205,647
<i>Total current assets</i>	<u>1,716,214</u>
<u>Noncurrent assets</u>	
Restricted cash - project fund CCC bonds	166,950
Restricted cash - debt service fund CCC bonds	443,488
Restricted cash - debt service fund Berry Hill bonds	36
Restricted cash - debt service reserve fund Berry Hill bonds	1,007,063
Capital assets not being depreciated	24,781,371
Capital assets being depreciated, net	22,987,025
Construction in progress	9,827,751
<i>Total noncurrent assets</i>	<u>59,213,684</u>
Total assets	<u>60,929,898</u>
Liabilities	
<u>Current liabilities</u>	
Unearned income	208,863
Bonds payable - current portion	1,753,450
<i>Total current liabilities</i>	<u>1,962,313</u>
<u>Noncurrent liabilities</u>	
Bonds payable - less current portion	2,119,740
<i>Total noncurrent liabilities</i>	<u>2,119,740</u>
Total liabilities	<u>4,082,053</u>
Net Position	
Net investment in capital assets	53,889,907
Restricted - debt reserves	1,450,587
Unrestricted	1,507,351
Total net position	<u><u>\$ 56,847,845</u></u>

¹ Please note this balance sheet does not include the Due to/Due from between the County and the City since it nets out and only changes at fiscal year-end.

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

*Please note these statements are for the period ended November 27, 2018 as of November 30, 2018, the date of preparation. Due to statement preparation occurring in close proximity to month-end, these statements may not include some pending adjustments for the period.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues and Expenses and Changes in Fund Net Position
November 30, 2018*

	Unaudited FY 2019
Operating revenues	
Rental income	62,571
Other Income	764,137
Total operating revenues	<u>826,708</u>
Operating expenses ⁴	
Mega Park expenses ³	274,427
Cane Creek Centre expenses ³	768,782
Cyber Park expenses ³	67,378
Professional fees	12,686
Other operating expenses	7,880
Total operating expenses	<u>1,131,153</u>
Operating income (loss)	<u>(304,445)</u>
Non-operating revenues (expenses)	
Interest income	12,041
Interest expense	(36,282)
Total non-operating expenses, net	<u>(24,241)</u>
Net income (loss) before capital contributions	<u>(328,686)</u>
Capital contributions	
Contribution - City of Danville	308,684
Contribution - Pittsylvania County	320,764
Total capital contributions	<u>629,448</u>
Change in net position	<u>300,762</u>
Net position at July 1, 2018	<u>56,547,083</u>
Net position at November 30, 2018	<u><u>\$ 56,847,845</u></u>

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

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

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
November 30, 2018*

	Unaudited FY 2019
Operating activities	
Receipts from leases	\$ 79,950
Other receipts	973,000
Payments to suppliers for goods and services	(1,240,109)
Net cash used by operating activities	<u>(187,159)</u>
Capital and related financing activities	
Capital contributions	395,763
Interest paid on bonds	(69,782)
Principal repayments on bonds	(885,000)
Net cash provided by capital and related financing activities	<u>(559,019)</u>
Investing activities	
Interest received	12,041
Net cash provided by investing activities	<u>12,041</u>
Net increase (decrease) in cash and cash equivalents	(734,137)
Cash and cash equivalents - beginning of year (including restricted cash)	<u>3,862,241</u>
Cash and cash equivalents - through November 30, 2018 (including restricted cash)	<u><u>\$ 3,128,104</u></u>
Reconciliation of operating loss before capital contributions to net cash used by operating activities:	
Operating income (loss)	\$ (304,445)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Non-cash operating in-kind expenses	-
Changes in assets and liabilities:	
Change in prepaids	2,425
Change in other receivables	20,654
Change in accounts payable	(111,381)
Change in unearned income	205,588
Net cash used by operating activities	<u><u>\$ (187,159)</u></u>

Components of cash and cash equivalents at November 30, 2018:	
American National - Checking	\$ 713,516
American National - General money market	797,051
Wells Fargo - \$7.3M Bonds CCC Debt service fund	443,488
Wells Fargo - \$7.3M Bonds CCC Project fund	166,950
US Bank - \$11.25M Bonds Berry Hill Debt service fund	36
US Bank - \$11.25M Bonds Berry Hill Debt service reserve fund	1,007,063
	<u><u>\$ 3,128,104</u></u>