Danville-Pittsylvania Regional Industrial Facility Authority

City of Danville, Virginia
County of Pittsylvania, Virginia

AGENDA

January 11, 2021

12:00 P.M.

Institute for Advanced Learning and Research
150 Slayton Avenue, Room 207
Danville, Virginia

County of Pittsylvania Members

Robert W. Warren, Chairman
Ronald S. Scearce
Vic Ingram, Alternate

City of Danville Members

J. Lee Vogler, Jr., Vice Chairman
Sherman M. Saunders
Dr. Gary P. Miller, Alternate

Staff

Ken Larking, City Manager, Danville
David M. Smitherman, Pittsylvania County Administrator
Christian & Barton, LLP, 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 DECEMBER 14, 2020 MEETING

5. NEW BUSINESS

A. Election and Reappointment of Officers for Calendar Year 2021 – Michael C. Guanzon, Esq., Christian & Barton, LLP, Legal Counsel to the Authority:

1. Election of Chairman from Danville City Member Locality (*see* Bylaws, Article VI, paragraph 1)

2. Election of Vice Chairman from Pittsylvania County Member Locality (*see* Bylaws, Article VI, paragraph 4)

3. Reappointment of Secretary from the Authority's staff – Susan M. DeMasi, City Clerk, City of Danville

4. Reappointment of Treasurer from the Authority's staff – Michael L. Adkins, Director of Finance, City of Danville

[At this point of the agenda, the newly elected Chairman shall preside over the meeting.]

B. Consideration of Resolution No. 2021-01-11-5B, Approving a Second Amendment to the Certain Declaration of Protective Covenants of the Authority's Cane Creek Centre, dated July 12, 2005. - Michael C. Guanzon, Christian & Barton, LLP, legal counsel to the Authority.

C. Consideration of Resolution No. 2021-01-11-5C, Authorizing the Chairman of the Authority to Execute a Performance Agreement for a $200,000 AFID Grant from Virginia Department of Agriculture and Consumer Services for the Benefit of Just Greens, LLC, doing business as Aerofarms. – Matthew Rowe, Pittsylvania County Director of Economic Development and Michael C. Guanzon, Christian & Barton, LLP, legal counsel to the Authority.

D. Presentation of Audit of the Authority's financial statements for year ending June 30, 2020 – Chris Murray, CPA, Senior Manager, Brown Edwards & Company, L.L.P.

E. Financial Status Reports as of December 31, 2020 – Michael L. Adkins, CPA, Treasurer of the Authority, and Henrietta Weaver, CPA, City of Danville, Virginia *[via Conference Line: +1 (646) 558-8656 and Meeting ID: 932 3180 5863]*

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 Megasite 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

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

- Dewberry Overview of SVMS Utilities – Brian K. Bradner, P.E., Vice President and Shawn R. Harden, P.E., Senior Associate, Dewberry Engineers Inc.

- IDA Shell Building in Cyber Park – Corrie Bobe, Director of Economic Development, City of Danville.

8. ADJOURN

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 4
Meeting Date:	01/11/2021
Subject:	Meeting Minutes
From:	Susan M. DeMasi, Authority Secretary

SUMMARY

Attached for the Board's approval are the Meeting Minutes from the Monday, December 14, 2020 Meeting.

ATTACHMENTS

Meeting Minutes – 12/14/2020

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY
Minutes
December 14, 2020

A Meeting of the Danville-Pittsylvania Regional Industrial Facility Authority convened at 12:04 p.m. on the above date at the Institute for Advanced Learning and Research, 150 Slayton Avenue, Room 207, Danville, Virginia. Present were City of Danville Members Vice Chairman J. Lee Vogler, Jr., Sherman M. Saunders and Alternate Dr. Gary P. Miller (Dr. Miller entered the meeting at 12:07 p.m.) Pittsylvania County Members present were Chairman Robert W. Warren, Ronald S. Scearce, and Alternate Vic Ingram.

City/County staff members attending were: City Manager Ken Larking, Deputy City Manager Earl Reynolds, Pittsylvania County Administrator David Smitherman, Danville Director of Economic Development Corrie Bobe, Pittsylvania County Director of Economic Development Matt Rowe, Christian & Barton Attorney Michael C. Guanzon, and Secretary to the Authority Susan DeMasi. Also present were Shawn Harden and Brian Bradner from Dewberry. *City of Danville Director of Finance Michael Adkins, Accountant Henrietta Weaver, and Project Manager Kelvin Perry attended the meeting electronically.*

Chairman Robert W. Warren presided.

PUBLIC COMMENT PERIOD

No one present desired to be heard.

APPROVAL OF MINUTES OF THE NOVEMBER 9, 2020 MEETING

Upon **Motion** by Mr. Saunders and **second** by Mr. Scearce, Minutes of the November 9, 2020 Meeting were approved as presented. Draft copies had been distributed to Authority Members prior to the Meeting.

Mr. Warren requested a Motion to Amend the Agenda to add Agenda Item 7A.1; Mr. Scearce **moved** to add Agenda Item 7A.1. The Motion was **seconded** by Council Member Vogler and carried by the following vote:

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

NEW BUSINESS

5A. FINANCIAL STATUS REPORT AS OF NOVEMBER 30, 2020

Authority Treasurer Michael Adkins gave the Financial Status report as of November 30, 2020, beginning with Cane Creek Bonds which showed no expenditures for November. General Expenditures for Fiscal Year 2021 show RIFA paid $73 to Christian and Barton for legal fees, $10,000 to Brown, Edwards, RIFA's External Auditors; that Audit was complete and will be presented in January, $255 for meals and $31 for monthly utilities. Funding Other than Bonds for Berry Hill show RIFA expended $32,320 to Dewberry for continued work under Amendment #29. For Lot 4 Site Development, RIFA drew down the last of Tobacco Grant #2491; that completes the existing funding for Lot 4 Site Development. At the end, there was about $329 left over and that was transferred to the Unassigned Fund Balance for RIFA; the funding sheet now shows zero for the Unexpended/Unencumbered column. There was no activity for Lots 1 and 2, and Water and Sewer show RIFA expended $15,750 to Dewberry for work on Amendment #28. Under Rent, Interest and Other Income, RIFA received $25,148 from the Institute for the Hawkins Building rent, earned $201 in interest and received $1,057 from Pittsylvania County for their share of monthly rent for Gefertec. RIFA paid $25,148 to the Institute for the Hawkins' maintenance and $2,115 to the Institute for Gefertec rent.

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

VOTE: 4-0
AYE: Warren, Scearce, Saunders, Vogler (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 12:09 p.m. Mr. Scearce **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; and

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 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 Megasite 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

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

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

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

RETURN TO OPEN SESSION

On **Motion** by Mr. Vogler and **second** by Mr. Scearce and by unanimous vote at 2:03 p.m., the Authority returned to open meeting. **(**Reinstatement/Unmuting of Conference Line *[see Agenda Item 5D above]*.)

Mr. Scearce **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, Scearce, Saunders, Vogler (4)
NAY: None (0)

7. NEW BUSINESS CONTINUED

7A.1. CONSIDERATION OF RESOLUTION NO. 2020-12-14-7A.1, AUTHORIZING AN AMENDMENT TO THE CONTRACT OF SALE BETWEEN THE AUTHORITY AND REALTYLINK INVESTMENTS

Mr. Scearce **moved** for adoption of Resolution No. 2020-12-14-7A.1, as presented with the following amendments: Item iii, *which will not be applied to the purchase price under the CofS*, and mark out, *if and when the parties proceed to closing*. The Motion was **seconded** by Mr. Vogler and carried by the following vote:

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

8. COMMUNICATIONS

Board Members wished everyone a Merry Christmas and a Happy New Year, and thanked the staff for their work. Mr. Warren noted it was his last meeting this year as Chairman, everyone did a wonderful job during unusual times and looked for a brighter future. Ms. Bobe and Mr. Rowe are two top notch people, thanked the staff from Dewberry, the City Manager and County Administrator for the work they both do, and to Mr. Guanzon who was always professional and Sue DeMasi for the work they all do, a Merry Christmas and Happy New Year.

Mr. Rowe noted the signs were being put up at the Mega Site, and distributed a plat with the proposed locations. Sign One will be located where the new connector road comes in, and believes it had been agreed to previously; it was high, prominent and easily visible. Sign Two was challenging, and the site Mr. Rowe leaned toward was Option 1. They would have a sign on both sides of the road, but it would be considerably into Lot 10; along the rail coming into the park was all wetlands so a sign cannot be put there. The Sign 2, Option 2, was not very sightly because of the rail and rail house in the line of sight, and it was on the opposite side of the road so it was not facing traffic coming from Eden into the Park. Mr. Rowe noted his recommendation was Option 1; after a brief discussion, Option 1 was recommended.

Meeting adjourned at 2:11 p.m.

APPROVED:

____
Chairman

____
Secretary to the Authority

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5A
Meeting Date:	01/11/2021
Subject:	Resolution 2021-01-11-5A
From:	Michael C. Guanzon, Esq., Legal Counsel to the Authority

SUMMARY

1. Election of Chairman from City of Danville.
2. Election of Vice Chairman from Pittsylvania County.
3. Reappointment of Secretary.
4. Reappointment of Treasurer

ATTACHMENT

Resolution 2021-01-11-5A

Resolution No. 2021-01-11-5A

A RESOLUTION TO REAPPOINT THE SECRETARY AND TREASURER 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, the Authority, pursuant to paragraph 5 of Article VI of the Amended and Restated Bylaws of the Authority (the "**Bylaws**"), is required to appoint a Secretary and Treasurer from the Authority's staff, which may include staff provided by a Member Locality or other persons employed or contracted by the Authority; and

WHEREAS, under paragraph 2 of Article VI of the Bylaws, the term of office of a Secretary and Treasurer shall be for the calendar year, and accordingly, the terms of Secretary Susan M. DeMasi and Treasurer Michael L. Adkins expired on December 31, 2020; and

WHEREAS, each of Susan M. DeMasi and Michael L. Adkins is eligible for reappointment under the paragraph 5 of Article VI of the Bylaws.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Board hereby reappoints the following persons to serve the Authority in the office designated below and to have such powers and duties as prescribed to that person by the Bylaws and pursuant to applicable law:

Secretary: **Susan M. DeMasi** (term of office expires on December 31, 2021 and shall continue until her successor is appointed or reappointed)

Treasurer: **Michael L. Adkins** (term of office expires on December 31, 2021 and shall continue until his successor is appointed or reappointed)

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 they in their discretion deem necessary or appropriate in order to carry out the intent and purposes of these resolutions.

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

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CERTIFICATE

I, the undersigned Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority, hereby certify that the foregoing is a true, correct and complete copy of a Resolution duly adopted by a majority of the Directors of the Danville-Pittsylvania Regional Industrial Facility Authority at a meeting duly called and held on January 11, 2021, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

WITNESS my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this 11th day of January, 2021.

____

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:	01/11/2021
Subject:	Resolution 2021-01-11-5B
From:	Michael C. Guanzon, Esq., Legal Counsel to the Authority

SUMMARY

The Board will be asked to consider Resolution 2021-01-11-5B, approving a Second Amendment to the Protective Covenants of Cane Creek Centre.

ATTACHMENTS

Resolution

Exhibit

Resolution No. 2021-01-11-5B

A RESOLUTION APPROVING A SECOND AMENDMENT TO THAT CERTAIN DECLARATION OF PROTECTIVE COVENANTS OF THE AUTHORITY'S CANE CREEK CENTRE, DATED JULY 12, 2005, AND RECORDED IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE COUNTY OF PITTSYLVANIA, VIRGINIA, AS INSTRUMENT NO. 05-06158, IN DEED BOOK 1505, AT PAGE 237, AND RECORDED IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF DANVILLE, VIRGINIA, AS INSTRUMENT NO. 05-4233, AT PAGE 189, AS AMENDED BY THAT CERTAIN AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS, DATED APRIL 24, 2012, RECORDED IN THE COUNTY CLERK'S OFFICE AS INSTRUMENT NO. 12-03321, AT PAGE 104, AND RECORDED IN THE CITY CLERK'S OFFICE AS INSTRUMENT NO. 12-1999, AT PAGE 1, AS SUPPLEMENTED BY THAT CERTAIN SUPPLEMENT TO DECLARATION OF PROTECTIVE COVENANTS, DATED JANUARY 13, 2014, AND RECORDED IN THE COUNTY CLERK'S OFFICE AS INSTRUMENT NO. 14-00362, AT PAGE 01, AND RECORDED IN THE CITY CLERK'S OFFICE AS INSTRUMENT NO. 14-191, AS PAGE 24, AS FURTHER SUPPLEMENTED BY THAT CERTAIN SUPPLEMENT TO DECLARATION OF PROTECTIVE COVENANTS, DATED FEBRUARY 9, 2015, AND RECORDED IN THE COUNTY CLERK'S OFFICE AS INSTRUMENT NO. 15-0596, AT PAGE 01, AND RECORDED IN THE CITY CLERK'S OFFICE AS INSTRUMENT NO. 15-530, AS SUCH AMENDED RESTRICTIONS PERTAIN TO (I) THE REVIEW COMMITTEE AND ITS LIMITED LIABILITY, (II) SEDIMENT AND EROSION CONTROL, (III) MINIMUM BUILDING SQUARE FOOTAGE, (IV) EXTERIOR LIGHTING, (V) EXTENSION OF THE TERM FOR AN ADDITIONAL TEN (10) YEARS, (VI) MINIMUM TREE PLANTING, AND (VII) FLOOD LIGHTING.

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

WHEREAS, the Authority made that certain Declaration of Protective Covenants, dated July 12, 2005, and recorded in the Clerk's Office of the Circuit Court of the County of Pittsylvania, Virginia (the "**County Clerk's Office**"), as Instrument No. 05-06158, in Deed Book 1505, at page 237, and recorded in the Clerk's Office of the Circuit Court of the City of Danville, Virginia (the "**City Clerk's Office**"), as Instrument No. 05-4233, at page 189 (the "**Original Declaration**"); and

WHEREAS, the Original Declaration was amended by that certain Amendment to Declaration of Protective Covenants, dated April 24, 2012, recorded in the County Clerk's Office as Instrument No. 12-03321, at page 104, and recorded in the City Clerk's Office as Instrument No. 12-1999, at page 1, as supplemented by that certain Supplement to Declaration of Protective Covenants, dated January 13, 2014, and recorded in the County Clerk's Office as Instrument No. 14-00362, at page 01, and recorded in the City Clerk's Office as Instrument No. 14-191, as page

24, as further supplemented by that certain Supplement to Declaration of Protective Covenants, dated February 9, 2015, and recorded in the County Clerk's Office as Instrument No. 15-0596, at page 01, and recorded in the City Clerk's Office as Instrument No. 15-530 (collectively, the "**Revised Declaration**"; the Original Declaration and the Revised Declaration shall collectively be referred to as the "**Declarations**")

WHEREAS, the Authority desires to amend the Declarations, as such amended restrictions pertain to (i) the Review Committee (as defined in the Declarations) and its limited liability, (ii) sediment and erosion control, (iii) minimum building square footage, (iv) exterior lighting, (v) extension of the term for an additional ten (10) years, (vi) minimum tree planting, and (vii) flood lighting, substantially in the form attached hereto as **Exhibit A**, incorporated herein by this reference (the "**Second Amendment**"); and

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

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby authorizes and approves the execution and delivery of the Second Amendment, in substantially in the form attached as **Exhibit A**, as described in this Resolution and as may approved by the Authority's legal counsel as to legal form, 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 Second Amendment on behalf of the Authority, such execution of the Second Amendment 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 Second Amendment, 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 Second Amendment and the matters contemplated therein or related thereto on or before the date of this Resolution is adopted.

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

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Resolution No. 2021-01-11-5B

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 January 11, 2021, and that such Resolution has not been repealed, revoked, rescinded or amended, but is in full force and effect on the date hereof.

WITNESS my hand as Secretary of the Danville-Pittsylvania Regional Industrial Facility Authority this 11th day of January 2021.

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

(SEAL)

Resolution No. 2021-01-11-5B

Exhibit A

(Second Amendment)

THIS INSTRUMENT WAS PREPARED BY AND
AFTER RECORDING SHOULD BE RETURNED TO:
Christian & Barton, LLP
909 East Main Street, Suite 1200
Richmond, VA 23219
Attn: Steven W. Lippman

City PINs: 78380 and 77193
County GPINs: 2347-12-2560; 2347-13-2607; 2347-03-3708; 2347-04-1865; 2347-06-3528; 2337-98-8418; 2347-15-7319; 2347-26-0382; 2347-36-8215; 2347-37-4337; 2347-28-1224; 2347-39-1745; 2347-48-2743; 2347-46-9915; 2347-35-9589; 2347-24-2335; and 2347-13-8189

CANE CREEK CENTRE
SECOND AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS

THIS SECOND AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS (this "**Second Amendment**") is made and entered into as of the 11th day of January 2021, by and among the **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia (the "**Authority**"), **ELKAY WOOD PRODUCTS COMPANY**, a Pennsylvania corporation, **VA DANVILLE CC L6, LLC**, a South Carolina limited liability company, **POINDEXTER PROPERTIES, LLC**, a Delaware limited liability company, and the **INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia, each to be indexed as **Grantor** and **Grantee**.

WHEREAS, the Authority made that certain Declaration of Protective Covenants, dated July 12, 2005, and recorded in the Clerk's Office of the Circuit Court of the County of Pittsylvania, Virginia (the **"County Clerk's Office"**), as Instrument No. 05-06158, in Deed Book 1505, at page 237, and recorded in the Clerk's Office of the Circuit Court of the City of Danville, Virginia (the **"City Clerk's Office"**), as Instrument No. 05-4233, at page 189 (the **"Original Declaration"**);

WHEREAS, the Original Declaration was amended by that certain Amendment to Declaration of Protective Covenants, dated April 24, 2012, recorded in the County Clerk's Office as Instrument No. 12-03321, at page 104, and recorded in the City Clerk's Office as Instrument No. 12-1999, at page 1, as supplemented by that certain Supplement to Declaration of Protective Covenants, dated January 13, 2014, and recorded in the County Clerk's Office as Instrument No. 14-00362, at page 01, and recorded in the City Clerk's Office as Instrument No. 14-191, as page 24, as further supplemented by that certain Supplement to Declaration of Protective Covenants, dated February 9, 2015, and recorded in the County Clerk's Office as Instrument No. 15-0596, at page 01, and recorded in the City Clerk's Office as Instrument No. 15-530 (collectively, the "**Revised Declaration**"; the Original Declaration and the Revised Declaration shall collectively be referred to as the "**Declarations**");

WHEREAS, the undersigned parties desire to voluntarily amend the Declarations with respect to the Property as provided herein;

WHEREAS, the undersigned parties are the record title holders of at least sixty-five percent (65%) of the land area of the Property (as defined in the Declarations) and at least fifty-one percent (51%) of the Owners of Parcels (as defined in the Declarations), the written consent of whom is required under Section 10.2 the Declarations, to amend the Declarations; and

WHEREAS, all restrictions in the Declarations are to be reaffirmed and to remain in full force and effect, except as specifically amended herein.

NOW, THEREFORE, THE REVISED DECLARATION IS AMENDED AS FOLLOWS:

1. **Textual Edits**. Whenever existing language is to be amended, the text of the existing provision will appear as follows:

   a. Additions shall be indicated with double underlines; and

   b. Deletions shall be indicated with ~~strikethroughs~~.

2. **Amendments**. The Revised Declaration is hereby amended as follows:

a. Section 2.1(9) of the Revised Declaration is hereby amended as follows:

"**2.1(9) "Review Committee"** shall mean ~~a Committee~~the Authority~~, consisting of the members of the Board of Directors of the Authority whose terms shall be concurrent with their terms as directors~~. The Review Committee may be assisted in their review by support staff of the City of Danville and Pittsylvania County~~ In the event that it is finally judicially determined that the Authority is not authorized to comprise the Review Committee, then the members of the Committee shall be appointed for indefinite terms by the owners of fee title, including the Authority and the owner of the Property Used in Common, voting according to their proportionate land area~~."

b. Section 4.1(d) of the Revised Declaration is hereby amended as follows:

"**4.1(d)** Sediment and Erosion Control – Development shall...Control Law and Stormwater Management Program as administered by the County of Pittsylvania County and the Commonwealth of Virginia."

c. Section 5.1 of the Revised Declaration is hereby amended by inserting the following language at beginning of Section 5.1:

"**5.1 PERMITTED USES**

The Cane Creek Centre has been established to create quality employment in Danville and Pittsylvania County. Businesses that operate utilizing clean manufacturing with minimal external impact on adjacent properties are preferred. The following uses are permitted to be established on Parcels:..."

d. Section 6.4 of the Revised Declaration is hereby amended as follows:

"**6.4 MINIMUM BUILDING SIZE**

No building shall be constructed…which contains less than ~~20,000~~10,000 square feet...."

e. Section 6.12 of the Revised Declaration is hereby amended as follows:

"**6.12 EXTERIOR LIGHTING**

~~All parcels shall provide exterior lighting for parking and loading facilities in conformance with the Architectural and Design Standards of this document. All exterior lighting permitted on any Parcel shall be subject to written approval of the Review Committee unless such lighting is required by law or by other governmental regulations which take precedence over these covenants~~All exterior lighting shall be directed at a downward angle and should not exceed one foot-candle at the property line. No flashing or intermittent light of any kind shall be permitted unless required ~~as above~~by law..."

f. Section 8.1 of the Revised Declaration is hereby amended as follows:

"**8.1 REVIEW COMMITTEE**

~~There is hereby established a Review Committee as hereinbefore defined whose members shall be appointed by the Authority. Members of the Review Committee shall serve at the pleasure~~

~~of the Authority~~The Authority shall review and approve all building and development plans for the Cane Creek Centre."

g. Section 8.2 of the Revised Declaration is hereby amended as follows:

"**8.2 ~~PROCEEDINGS OF THE REVIEW COMMITTEE~~**

~~The Review Committee shall adopt rules and procedures for the conduct of its business. The Review Committee shall adopt from time to time, with the approval of the Authority, certain standards and criteria for approval of plans as required by various Articles of these Covenants~~[Intentionally Omitted.]"

h. Section 8.6 of the Revised Declaration is hereby amended as follows:

"**8.6 LIABILITY**

~~Neither the Review Committee nor the~~The Authority shall not be liable for damages...."

i. Section 10.1 of the Revised Declaration is hereby amended as follows:

"**10.1 Term**

This Declaration...shall continue in full force and effect for ~~a~~an extended period of ~~twenty-five (25)~~ ten (10) years from the date ~~hereof~~of January 11, 2021..."

Any references to the initial twenty-five (25) year term in the Original Declaration, as amended, shall automatically be deemed to be extended by ten (10) years pursuant to this Second Amendment.

j. Section 15.3 of the Revised Declaration is hereby amended as follows:

"**15.3 MINIMUM TREE PLANTING**

On each parcel...of paved area unless otherwise waived in writing by the Authority."

k. Section 16.1 of the Revised Declaration is hereby amended as follows:

"16.1 <u>GENERAL</u>

~~All exterior lighting systems shall use either high pressure sodium or metal-halide lamps.~~The maximum average illumination..."

l. Section 16.2 of the Revised Declaration is hereby amended as follows:

"16.2 <u>MOUNTING HEIGHT</u>

The maximum permitted...40 feet <u>unless attached to a building or required by law</u>. Fixtures designed...."

m. Section 16.3 of the Revised Declaration is hereby amended as follows:

"16.3 <u>BUILDING AND SIGN FLOODLIGHTING</u>

~~Building and sign floodlighting shall be permitted utilizing wall mounted or set-back methods provided fixtures incorporate either high pressure sodium or metal-halide lamps for illumination.~~

Building and sign floodlighting shall be so installed ~~and aimed~~<u>using glare shielding</u> so that glare...."

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

[*SIGNATURE PAGE FOLLOWS*]

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

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

By: ______________________________________
Name: ____________________________________
Title: Chairman

COMMONWEALTH OF VIRGINIA AT LARGE
COUNTY/CITY OF ______________________________, to-wit:

The foregoing instrument was acknowledged before me in my jurisdiction aforesaid on this _____ day of ____________ 2021, by **_______________________**, in his capacity as Chairman of **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY**, a political subdivision of the Commonwealth of Virginia.

My commission expires ____________________________.

____
Notary Public
Registration No. ____________________

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

ELKAY WOOD PRODUCTS COMPANY, a Pennsylvania corporation

By: ____
Name: _____________________________________
Title: ______________________________________

STATE OF ______________________, AT LARGE
CITY/COUNTY OF ________________________, to-wit:

The foregoing instrument was acknowledged before me in my jurisdiction aforesaid on this _____ day of _____________ 2021, by **_______________________**, in his capacity as _________ of **ELKAY WOOD PRODUCTS COMPANY**, a Pennsylvania corporation.

My commission expires _____________________________.

____
Notary Public
Registration No. _____________________ (If Va.)

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

VA DANVILLE CC L6, LLC, a South Carolina limited liability company

By: ____
Philip J. Wilson
Manager

STATE OF ____________________, AT LARGE
CITY/COUNTY OF ______________________, to-wit:

The foregoing instrument was acknowledged before me in my jurisdiction aforesaid on this _____ day of _____________ 2021, by **PHILIP J. WILSON**, in his capacity as Manager of **VA DANVILLE CC L6, LLC**, a South Carolina limited liability company.

My commission expires ___________________________.

____
Notary Public
Registration No. ____________________ (If Va.)

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

POINDEXTER PROPERTIES, LLC, a Delaware limited liability company

By: ____
David R. Nuzzo
Vice President

STATE OF _____________________, AT LARGE
CITY/COUNTY OF _______________________, to-wit:

The foregoing instrument was acknowledged before me in my jurisdiction aforesaid on this _____ day of _____________ 2021, by **DAVID R. NUZZO**, in his capacity as Vice President of **POINDEXTER PROPERTIES, LLC**, a Delaware limited liability company.

My commission expires ____________________________.

____
Notary Public
Registration No. ____________________ (If Va.)

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA, a political subdivision of the Commonwealth of Virginia

By: ______________________________________
T. Neal Morris
Chairman

STATE OF ____________________, AT LARGE
CITY/COUNTY OF ______________________, to-wit:

The foregoing instrument was acknowledged before me in my jurisdiction aforesaid on this _____ day of _____________ 2021, by **T. NEAL MORRIS**, in his capacity as Chairman of **INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia.

My commission expires ___________________________.

____
Notary Public
Registration No. ____________________ (If Va.)

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5C
Meeting Date:	01/11/2021
Subject:	Resolution 2021-01-11-5C
From:	Matthew Rowe, Pittsylvania County Director of Economic Development, and Michael C. Guanzon, Esq., Legal Counsel to the Authority

SUMMARY

The Board will be asked to consider Resolution 2021-01-11-5C, authorizing the Chairman to Execute a Performance Agreement for a $200,000 AFID Grant.

ATTACHMENTS

Resolution

Exhibit

Resolution No. 2021-01-11-5C

A RESOLUTION AUTHORIZING THE CHAIRMAN OF THE AUTHORITY TO EXECUTE A PERFORMANCE AGREEMENT FOR A $200,000 AFID GRANT FROM VIRGINIA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES FOR THE BENEFIT OF JUST GREENS, LLC, A DELAWARE LIMITED LIABILITY COMPANY DOING BUSINESS AS AEROFARMS, IN FURTHERANCE OF THAT CERTAIN LOCAL PERFORMANCE AGREEMENT DATED APRIL 23, 2020, APPROVED BY RESOLUTION NOS. 2019-12-09-7A AND 2020-05-11-5D

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, pursuant to Resolution Nos. 2019-12-09-7A and 2020-05-11-5D, the Authority executed that certain Local Performance Agreement dated April 23, 2020 (the "**LPA**"), with Just Greens, LLC, a Delaware limited liability company doing business as AeroFarms ("**AeroFarms**"), under which the Authority, the City and the County agreed to provide or to facilitate certain incentives for AeroFarms to make certain capital investments and to create full-time jobs; and

WHEREAS, in furtherance of the LPA and as a requirement for a $200,000.00 grant from the Virginia Department of Agriculture and Consumer Services ("**VDACS**"), commonly known as the AFID Grant, the Authority has determined that the terms and conditions of a Performance Agreement with VDACS, the County and the Authority, substantially in the form attached hereto as **<u>Exhibit A</u>**, incorporated herein by this reference (the "**AFID Grant Performance Agreement**"), are reasonable and appropriate, including the following minimum provisions:

(i) the County would be awarded an AFID Grant of up to $200,000.00 as an incentive for AeroFarms to invest at least $41,836,000.00 in machinery and equipment, the purchase of Virginia-grown agricultural and forestal products in the following amount of $19,524,218 or 2,210,000 pounds, and the construction of a new facility in the Authority's Cane Creek Centre Industrial Park, located in the County, and to create 92 new jobs at such facility;

(ii) the AFID Grant would be paid to AeroFarms upon achievement and maintenance of such targets of investments and job creation within a three (3) year performance period as may be extended by VDACS in its discretion; and

(iii) the County would provide a local match to the AFID Grant (the "**Local Match**") in the form of repayment of $190,000.00 of a TROF Grant related to the AeroFarms project

; and

WHEREAS, the Authority acknowledges that the Local Match is part of the Authority's AeroFarms project covered by that certain Agreement for Cost Sharing and Revenue Sharing dated October 2, 2001, first amended on November 6, 2008, and last amended on June 29, 2012; and

WHEREAS, the Authority's Board of Directors has determined that it is in the best interests of the Authority and the citizens of the City and the County for the Authority to enter into the AFID Grant Performance Agreement.

NOW, THEREFORE, BE IT RESOLVED, that

1. The Authority hereby authorizes and approves the execution and delivery of the AFID Grant Performance Agreement, in substantially in the form attached as **Exhibit A**, as described in this Resolution and as may approved by the Authority's legal counsel as to legal form, 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 AFID Grant Performance Agreement on behalf of the Authority, such execution of the AFID Grant Performance Agreement 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 AFID Grant Performance Agreement, 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 AFID Grant Performance Agreement and the matters contemplated therein or related thereto on or before the date of this Resolution is adopted.

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 regular meeting duly called and held on January 11, 2021, 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 11th day of January 2021.

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

(SEAL)

Exhibit A

(Form of AFID Grant Performance Agreement)

GOVERNOR'S AGRICULTURE & FORESTRY INDUSTRIES DEVELOPMENT FUND

PERFORMANCE AGREEMENT

This **PERFORMANCE AGREEMENT** (the "Agreement") made and entered this 23rd day of December 2020, by and among the **COUNTY OF PITTSYLVANIA, VIRGINIA** (the "Locality") a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), and **JUST GREENS, LLC**, doing business as **AEROFARMS** (the "Company"), a Delaware limited liability company authorized to transact business in the Commonwealth, and the **DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY** (the "Authority"), a political subdivision of the Commonwealth.

WITNESSETH:

WHEREAS, the Locality has been awarded a grant of and expects to receive $200,000 from the Governor's Agriculture & Forestry Industries Development Fund (an "AFID Grant") through the Virginia Department of Agriculture and Consumer Services ("VDACS") for the purpose of inducing the Company to construct and improve an agriculture and/or forestry processing/value-added facility using Virginia-grown products in the Locality (the "Facility"), thereby making a significant Capital Investment, as hereinafter defined, creating a significant number of New Jobs, as hereinafter defined; and purchasing a significant amount of Virginia-grown agricultural and forestal products, as hereinafter defined.

WHEREAS, the Locality is willing to provide the funds to the Authority with the expectation that the Authority will provide the funds to or for the use of the Company, provided that the Company promises to meet certain criteria relating to Capital Investment, New Jobs , and purchase of Virginia-grown agricultural and forestal products;

WHEREAS, the Locality, the Authority and the Company desire to set forth their understanding and agreement as to the payout of the AFID Grant, the use of the AFID Grant proceeds, the obligations of the Company regarding Capital Investment, New Job creation, purchase of Virginia-grown agricultural and forestal products, and the repayment by the Company of all or part of the AFID Grant under certain circumstances;

WHEREAS, the construction, equipping and operation of the Facility will entail a capital expenditure of approximately $41,836,000 of which approximately $33,836,000 will be invested in machinery and equipment and approximately $8,000,000 will be invested in the construction of a new building;

WHEREAS, the construction and operation of the Facility will further entail the creation of 92 New Jobs at the Facility;

WHEREAS, the construction, and operation of the Facility will further lead to the purchase of Virginia-grown agricultural and forestal products in the following amount: $19,524,218 or 2,210,000 pounds over the performance period (see Appendix A for details); and

WHEREAS, the stimulation of the additional tax revenue and economic activity to be generated by the Capital Investment, New Jobs, and purchase of Virginia-grown agricultural and forestal products constitutes a valid public purpose for the expenditure of public funds and is the animating purpose for the AFID Grant:

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

Section 1. Definitions.

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

"Capital Investment" means a capital expenditure by the Company in taxable real property, taxable tangible personal property, or both, at the Facility, is referred to in this Agreement as the "Capital Investment."

"Maintain" means that the New Jobs created pursuant to the AFID Grant will continue without interruption from the date of creation through the Subsequent Performance Date. Positions for the New Jobs will be treated as Maintained during periods in which such positions are not filled due to temporary reductions in the Company's employment levels in connection with recruitment for open positions or strikes and other work stoppages.

"New Job" means new permanent full-time employment of an indefinite duration at the Facility for which the standard fringe benefits are paid by the Company for the employee, and for which the Company pays an average annual wage of at least $34,945. Each New Job must require a minimum of either (i) 35 hours of an employee's time per week for the entire normal year of the Company's operations, which "normal year" must consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions, positions created when a job function is shifted from an existing location in the Commonwealth, and positions with construction contractors, vendors, suppliers and similar multiplier or spin-off jobs shall not qualify as New Jobs.

"Initial Performance Date" means December 31, 2022. If the Locality, in consultation with the Authority and the Secretary of Agriculture and Forestry, deems that good faith and reasonable efforts have been made and are being made by the Company to achieve the Targets, the Locality may agree to extend the Initial Performance Date by up to 15 months. If the Initial Performance Date is extended, the Locality shall send written notice of the extension to the Authority, the Company and the Secretary of Agriculture and Forestry and the date to which the Initial Performance Date has been extended shall be the "Initial Performance Date" for the purposes of this Agreement.

"Targets" means the Company's obligations to make Capital Investments at the Facility of at least $41,836,000, to create and Maintain at least 92 New Jobs at the Facility, and to purchase at least $19,524,218 or 2,210,000 pounds of Virginia-grown agricultural and forestal products as defined in Appendix A, all as of the Initial Performance Date. Further, "Targets" includes the Company's obligation to Maintain at least 92 New Jobs at the Facility as of the Subsequent Performance Date.

"Virginia Code" means the Code of Virginia of 1950, as amended.

"Subsequent Performance Date" means December 31, 2024, unless the Initial Performance Date has been extended. If the Initial Performance Date has been extended, the Subsequent Performance shall be two years after the new Initial Performance Date. Except as so noted, the Subsequent Performance Date is not subject to extension.

Section 2. <u>Targets</u>.

The Company will develop and operate the Facility in the Locality, make a Capital Investment of at least $41,836,000, create and Maintain at least 92 New Jobs, and purchase $19,524,218 or 2,210,000 pounds of Virginia-grown agricultural and forestal products (see Appendix A), at the Facility, all as of the Initial Performance Date. Further, the Company will Maintain at least 92 New Jobs at the Facility as of the Subsequent Performance Date. If the dollar amount of new purchases of Virginia-grown agricultural and forestal products is not met, the Company can still achieve the purchase target by demonstrating they substantively achieved the same volume of Virginia-grown agricultural and forestal products they proposed in Appendix A.

The average annual wage of the New Jobs will be at least $34,945.

The average prevailing wage in the locality in 2019 is $35,932.

Section 3. <u>Disbursement of AFID Grant</u>.

By execution and delivery of this Agreement, the Locality requests that the AFID Grant shall retain with VDACS until disbursed. The disbursement of the AFID Grant proceeds to the Company via the Locality and Authority will serve as an inducement to the Company to achieve the Targets. The AFID Grant proceeds shall be retained by VDACS and shall be disbursed as follows:

(a) <u>Achievement of Targets</u>. The full $200,000 AFID Grant Award shall be disbursed in full following submission of an annual report, as required in Section 5 of this Performance Agreement, that demonstrates to the satisfaction of the Locality, the Authority, and VDACS that it has made a Capital Investments of at least $41,836,000, created and Maintained at least 92 New Jobs with an average annual wage of $34,945, and purchased $19,524,218 or 2,210,000 pounds of agricultural and forestal products (per Appendix A).

Within 30 days of the submission of sufficient documentation to confirm completion of Targets and submission of a valid request for payment of AFID Grant funds, VDACS shall disburse AFID Grant proceeds to the Locality. Within 30 days of receipt of AFID Grant proceeds, the Locality will disburse the AFID Grant proceeds to the Authority. Within 30 days of its receipt of such AFID Grant proceeds, the Authority will disburse such AFID Grant proceeds to the Company.

(b) <u>Substantial Performance</u>. If by the Initial Performance Date Report, as verified by the Locality and VDACS, the Company has achieved at least 90% of the Targets, the company is eligible for the full $200,000 AFID Grant Award.

Within 30 days of the submission of sufficient documentation to confirm Substantial Performance and submission of a valid request for payment of AFID Grant funds, VDACS shall disburse AFID Grant proceeds to the Locality. Within 30 days of receipt of AFID Grant proceeds, the Locality will disburse the AFID Grant proceeds to the Authority. Within 30 days of its receipt of such AFID Grant proceeds, the Authority will disburse such AFID Grant proceeds to the Company.

(c) Partial Performance. If by the Initial Performance Date, the Company has failed to meet the Targets, the Company may still be eligible for a partial payment of the AFID Award. For purposes of determining partial payment, the AFID Grant is to be allocated as $66,666 (33%) for the Company's Capital Investment Target, $66,667,(33%) for its New Jobs Target, and $66,667 (33%) for its purchase of Virginia-grown agricultural and forestal products. If the Company has not met at least ninety percent (90%) of each of the three of its Targets at the Initial Performance Date, the Company shall no longer be eligible for that part of the AFID Grant that is proportional to the Target or Targets for which there is a shortfall. For example, if at the Initial Performance Date, the Capital Investment is only $31,377,000, only 69 New Jobs have been created and Maintained, and only $14,643,164 or 1,657,500 pounds of Virginia-grown agricultural and forestal products have been purchased, the Company shall only be eligible for seventy-five percent (75%) of the moneys allocated to the Capital Investment Target ($50,000), seventy-five percent (75%) of the moneys allocated to the New Jobs Target ($50,000), and seventy-five percent (75%) of the moneys allocated to the purchase of Virginia-grown agricultural and forestal products Target ($50,000).

Within 30 days of the submission of sufficient documentation to confirm Partial Performance and submission of a valid request for payment of AFID Grant funds, VDACS shall disburse the partial AFID Grant proceeds to the Locality. Within 30 days of receipt of AFID Grant proceeds, the Locality will disburse the AFID Grant proceeds to the Authority. Within 30 days of its receipt of such AFID Grant proceeds, the Authority will disburse such AFID Grant proceeds to the Company.

(d) Determination of Inability to Comply: If the Locality or the Secretary of Agriculture and Forestry (the "Secretary") determines at any time before the Initial or Subsequent Performance Date (a "Determination Date") that the Company is unlikely to meet and Maintain at least fifty (50) percent of its Targets by and through the Performance Date (i.e., by making a Capital Investment of at least $20,693,000 in the Facility, to creating and Maintaining at least 46 New Jobs at the Facility, or purchasing at least $9,762,109 or 1,105,000 pounds of Virginia-grown agricultural and forestal products by the Initial Performance Date), and if the Locality or the Secretary shall have promptly notified the Company of such determination, eligibility for payment of AFID Grant Funds is forfeited and all AFID Grant Funds disbursed to the Company must be repaid by the Company to the Authority. Such a determination by the Locality or the Secretary will be based on such circumstances as a filing by or on behalf of the Company under Chapter 7 of the U.S. Bankruptcy Code, the liquidation of the Company, an abandonment of the Facility by the Company or other similar significant event that demonstrates the Company will be unable or is unwilling to satisfy the Targets for the AFID Grant.

(e) Maintenance of the New Jobs through Subsequent Performance Date: If the Company had no repayment obligation under subsection (c) above as to the New Jobs Target, the Company may still have a repayment obligation if it has not Maintained the New Jobs from the Initial Performance Date through the Subsequent Performance Date. If the Company has not Maintained at least 82 New Jobs (ninety percent (90%) of 92 New Jobs) through the Subsequent Performance Date, the Company shall repay to the Authority that part of AFID Grant that is proportional to the shortfall from the 92 New Jobs Target. For example, if at the Subsequent Performance Date, only 69 New Jobs and FTEs have been Maintained, the Company shall repay to the Authority _twenty-five percent (25%) of the moneys allocated to New Jobs and FTEs ($16,667).

(f) Use of Funds: The Company will use the AFID Grant proceeds to make building improvements, as permitted by Section 3.2-304(C) of the Virginia Code.

Section 4. State and Local Government Incentives.

See Appendix B for definition of "break-even point." With regard to the Facility, the Commonwealth expects to provide incentives in the following amounts:

Category of Incentive:	Total Amount
Commonwealth's Development Opportunity Fund (COF)	$200,000
Virginia Jobs Investment Program ("VJIP") (Estimated)	64,400
Enterprise Zone Real Property Investment Grant ("EZRPIG") (Estimated)	200,000
Enterprise Zone Job Creation Grant ("EZJCG") (Estimated)	352,000
Agriculture and Forestry Industries Development Fund	$200,000

The Locality expects to provide the following incentives, as matching grants or otherwise, for the Facility:

Category of Incentive:	Total Amount
Land Acquisition Discount for Development of the Facility	$300,000
Repayment of Tobacco Region Opportunity Fund Grant ("TROF Grant")	190,000

The Authority will sell land to the developer of the Facility at a purchase price discounted by approximately $300,000, and such discount will be passed along to the Company's benefit. The Locality will repay $190,000 of a TROF Grant related to the project. If, by the Subsequent Performance Date, the value of the Local-Level incentives disbursed or committed to be disbursed by the Locality to the Company total less than the $200,000 AFID Grant local match requirement, the Locality, subject to appropriation, will make an additional grant to the Company of the difference promptly after the Subsequent Performance Date, so long as the Company has met its Targets.

Other Incentives: This Agreement relates solely to the AFID Grant. The qualification for, and payment of all State-Level Incentives and Local-Level Incentives, except for the AFID Grant, will be governed by separate arrangements between the Company and the entities offering the other incentives.
"

Section 5. <u>Company Reporting</u>.

The Company shall provide, at the Company's expense, detailed verification reasonably satisfactory to the Locality, the Authority and VDACS of the Company's progress on the Targets. Such progress reports will be provided annually, starting January 31, 2021, and at such other times as the Locality, the Authority or VDACS may reasonably require. The first progress report will cover the period from January 1, 2020__ to December 31, 2020. Subsequent annual progress reports will cover the preceding calendar year and will be due January 31 of the following year. If the Company wishes to count as New Jobs employees of contractors, to the extent permitted in the definition of "New Jobs" in Section 1, the Company is responsible for assembling and distributing the documentation necessary to verify such New Jobs, including whether such jobs are net New Jobs in the Commonwealth.

With each such progress report, the Company shall report to VDACS, if requested by VDACS, the amount paid by the Company in the prior calendar year in Virginia corporate income tax. The Company hereby authorizes the Commissioner of the Revenue, the Treasurer and the Director of Finance for the Locality to release to the Authority and the Locality the Company's confidential tax information and data so that the Authority may verify the payments made. VDACS has represented to the Company that it considers such information to be confidential proprietary information that is exempt from public disclosure under the Virginia Freedom of Information Act and that such information will be used by VDACS solely in calculating aggregate return on invested capital analyses for purposes of gauging the overall effectiveness of economic development incentives.

With each progress report, the Company shall report to VDACS the number of New Jobs created and Maintained during the reporting period. The information provided will be verified by VDACS with the Virginia Employment Commission. If requested by VDACS, the Company shall provide to VDACS copies of the Company's quarterly filings with the Virginia Employment Commission covering the period from the date of this Agreement through the Subsequent Performance Date. In accordance with the Virginia Code Section 60.2-114, VDACS is entitled to receive the Company's employment level and wage from the Virginia Employment Commission.

With each progress report, the Company shall also report to VDACS the amount purchased and the purchase price paid by the Company, or the fair market value of the Virginia-Grown Agricultural or Forestal Products utilized, through the prior year.

The Locality and Company agree to retain all books, records, data and other documents relative to this agreement for a period of three (3) years after the end of this agreement, or until audited by the Commonwealth of Virginia, whichever is sooner. VDACS and its authorized agents, and/or state auditors (both the Auditor of Public Accounts and/or VDACS Internal Auditor) shall have full access to and the right to examine any of said materials and records relating to this agreement during this period.

Section 6. **<u>Notices</u>.**

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

if to the Company, to:	with a copy to:
Just Greens, LLC 212 Rome Street Newark, NJ 07105 Attention: Sam Schatz, Managing Director of Corporate Development	Just Greens, LLC 212 Rome Street Newark, NJ 07105 Attn: General Counsel Email: generalcounsel@aerofarms.com
if to the Locality, to:	with a copy to:
County of Pittsylvania, Virginia 1 Center Street P.O. Box 426 Chatham, Virginia 24531 Email: joe.davis@pittgov.org Attention: Chairman, Board of Supervisors	County of Pittsylvania, Virginia 1 Center Street P.O. Box 426 Chatham, Virginia 24531 Email: vaden.hunt@pittgov.org Attention: County Attorney
if to the Authority, to:	with a copy to:
Danville-Pittsylvania Regional Industrial Facility Authority427 Patton Street P.O. Box 3300 (zip code 24543) Danville, Virginia 24541 Attention: Susan M. DeMasi, Secretary	Christian & Barton, LLP 909 East Main Street Suite 1200 Richmond, Virginia 23219 Attention: Michael C. Guanzon, Esq.
if to VDACS, to:	with a copy to:
Secretary of Agriculture and Forestry Office of Governor Commonwealth of Virginia 1111 East Broad Street Richmond, Virginia 23219 Attention: AFID	Chauntele D. Taylor AFID Compliance Coordinator Va Dept. of Agriculture & Consumer Services 102 Governor St., Room 353 Richmond, Virginia 23219 Attention: AFID

Section 7. **<u>Miscellaneous</u>.**

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

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

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

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

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

COUNTY OF PITTSYLVANIA, VIRGINIA

By ________________________________

Name: ___________________________

Title: ___________________________

Date: ______________________________

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

By ________________________________

Name: ___________________________

Title: ___________________________

Date: ______________________________

JUST GREENS, LLC, doing business as AEROFARMS

By ________________________________

Name: Guy Blanchard

Title: Chief Financial Officer

Date: December 23, 2020

APPENDIX A

Purchases of Virginia-grown Products:

agricultural production committments				
TOTAL LEAFY GREENS PRODUCTION	YEAR 1	YEAR 2	YEAR 3	TOTAL
POUNDS PER YR	0	552,500	1,657,500	2,210,000
WHOLESALE VALUE ($8.83/LB)	0	$4,881,055	$14,643,164	$19,524,218
NOTES	Under Construction	26% production	75% max production	100% Va Grown
Max annual production is (lbs)	2,210,000			

APPENDIX B

Break-Even Point Definition:

VDACS has estimated that the Commonwealth will reach its "break-even point" by the Subsequent Performance Date. The break-even point compares new revenues realized as a result of the Capital Investment and New Jobs at the Facility with the Commonwealth's expenditures on incentives, including but not limited to the AFID Grant.

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5D
Meeting Date:	January 11, 2021
Subject:	FY2020 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, 2020, as well as the *Comments on Internal Control and Other Suggestions for Your Consideration* and the *Required Communication with Those Charged with Governance* letters from Brown, Edwards & Company, LLP, the independent auditors for RIFA. The auditors will attend the meeting on January 11, 2021 remotely to discuss the audit and answer any questions regarding the audit.

The letter titled *Comments on Internal Control and Other Suggestions for Your Consideration* has a current year comment related to accounting for construction in progress and infrastructure in future years. This comment had no impact on the current year audit, but will be relevant as the Berry Hill projects mature. 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, 2020

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, 2020

Danville-Pittsylvania Regional Industrial Facility Authority

Table of Contents

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2020, 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.

800 Main Street, Suite 1401 • Lynchburg, Virginia 24504 • 434-948-9000 • Fax: 434-948-9029 • www.BEcpas.com

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, 2020, 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 2019 financial statements, on which, in our report dated November 26, 2019, we expressed an unmodified opinion. The 2019 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 December 8, 2020 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 8, 2020

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position
June 30, 2020

	2020	(For Comparative Purposes Only) 2019
Assets		
Current assets		
Cash and cash equivalents	$ 1,820,513	$ 1,959,232
Due from other governments	1,700,265	-
Prepaids	-	254
Total current assets	3,520,778	1,959,486
Noncurrent assets		
Restricted cash and cash equivalents	80,223	1,155,496
Due from City of Danville	333,159	596,792
Capital assets not being depreciated	24,560,850	23,832,535
Capital assets being depreciated, net	22,136,589	22,615,940
Construction in progress	19,115,392	14,628,421
Total noncurrent assets	66,226,213	62,829,184
Total assets	69,746,991	64,788,670
Liabilities		
Current liabilities		
Accounts payable - general	313,204	140,241
Accounts payable - construction	816,325	50,000
Accrued interest payable	37,497	18,979
Retainage payable	57,292	2,500
Unearned revenue - current	187,819	3,892
Bonds payable - current	445,000	1,349,740
Total current liabilities	1,857,137	1,565,352
Noncurrent liabilities		
Due to Pittsylvania County	333,159	596,792
Unearned revenue	315,000	-
Bonds payable	1,675,000	2,120,000
Total noncurrent liabilities	2,323,159	2,716,792
Total liabilities	4,180,296	4,282,144
Net position		
Net investment in capital assets	63,736,280	57,757,518
Restricted - debt reserves	36,774	1,005,134
Unrestricted	1,793,641	1,743,874
Total net position	$ 65,566,695	$ 60,506,526

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

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2020

	2020	(For Comparative Purposes Only) 2019
Operating revenues		
Virginia Tobacco Commission grants	$ 3,728,829	$ 4,222,145
Economic development incentives - Danville Regional Foundation	-	692,500
Economic development incentives - City of Danville	428,913	398,372
Economic development incentives - County of Pittsylvania	-	398,372
Economic development incentives - Other	777,656	315,000
Other income	309,949	277,654
Total operating revenues	5,245,347	6,304,043
Operating expenses		
Depreciation and amortization	808,461	812,665
Economic development - Cyber Park	67,406	216,434
Economic development - Cane Creek Centre	29,717	2,203,275
Economic development - Mega Park	100,563	45,919
Other operating expenses	733,108	525,522
Total operating expenses	1,739,255	3,803,815
Operating income	3,506,092	2,500,228
Non-operating revenues (expenses)		
Bond issuance costs	-	(28,894)
Interest income	11,143	30,310
Interest expense	(87,844)	(114,037)
Total non-operating expenses	(76,701)	(112,621)
Net income before capital contributions	3,429,391	2,387,607
Capital contributions		
Contribution - City of Danville	815,389	785,918
Contribution - Pittsylvania County	815,389	785,918
Total capital contributions	1,630,778	1,571,836
Change in net position	5,060,169	3,959,443
Net position at July 1, as restated (Note 12)	60,506,526	56,547,083
Net position at June 30	$ 65,566,695	$ 60,506,526

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2020

	2020	(For Comparative Purposes Only) 2019
Operating activities		
Receipts from operating grants and activities	$ 1,626,173	$ 380,887
Payments to suppliers for goods and services	386,430	(1,477,761)
Other payments	986,101	1,623,012
Net cash provided by operating activities	2,998,704	526,138
Capital and related financing activities		
Purchase of capital assets	(4,268,651)	(837,651)
Capital contributions	1,463,878	979,593
Interest paid on bonds	(69,066)	(127,009)
Bond issuance costs paid	-	(28,894)
Principal repayments on bonds	(1,350,000)	(1,290,000)
Net cash used in capital and related financing activities	(4,223,839)	(1,303,961)
Investing activities		
Interest received	11,143	30,310
Net cash provided by investing activities	11,143	30,310
Net decrease in cash and cash equivalents	(1,213,992)	(747,513)
Cash and cash equivalents - beginning of year	3,114,728	3,862,241
Cash and cash equivalents - end of year	$ 1,900,736	$ 3,114,728

Reconciliation to Statement of Net Position		
Cash and cash equivalents	$ 1,820,513	$ 1,959,232
Restricted cash and cash equivalents	80,223	1,155,496
	$ 1,900,736	$ 3,114,728

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

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2020

	2020	(For Comparative Purposes Only) 2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 3,506,092	$ 2,500,228
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	808,461	812,665
Non-cash economic incentive expenses	58,555	951,836
Non-cash County grant capital asset additions	(401,974)	(4,068,176)
Operating in-kind expenses	55,691	66,636
Changes in assets and liabilities:		
Change in prepaids	254	2,171
Change in other receivables	(1,700,265)	226,301
Change in accounts payable - general	172,963	33,860
Change in unearned revenue	498,927	617
Net cash provided by operating activities	$ 2,998,704	$ 526,138
Supplemental cash flow information		
Capital asset additions financed by retainage payable	$ 57,292	$ 2,500
Capital asset additions financed by accounts payable	$ 816,325	$ 50,000
Capital asset additions financed by locality contribution	$ 513,183	$ 4,360,099
Refunding of bonds payable	$ 2,545,000	$ -

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Economic Incentive Grants

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

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

Cash and Cash Equivalents

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

2. Summary of Significant Accounting Policies (Continued)

Due From Other Governments

Due from other governments generally consists of grant reimbursements receivable from the Virginia Tobacco Commission or other grantor agencies. There was $1,700,265 due from the Virginia Tobacco Commission or other grantor agencies at June 30, 2020.

Prepaids

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

Restricted Resources

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

Capital Assets

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

Management does not believe the Authority's real estate and improvements 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 future economic development incentives.

Net Position

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

2. Summary of Significant Accounting Policies (Continued)

Estimates

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

Income Taxes

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

3. Deposits, Restricted Cash and Investments

Deposits

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following at June 30, 2020:

Bond funds to be used for improvements to Cane Creek Centre	$	36,774
Restricted funds for Cane Creek Centre debt service		43,449
	$	80,223

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, 2020, the Authority's investments consisted of a money market fund primarily invested in U.S. Government repurchase agreements, floating and fixed rate securities, and U.S. treasury bills and coupons. The fund was rated AAAm by Standard and Poor's and has 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, 2020. The Authority does not have a policy related to interest rate risk.

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, 2020, the Authority reflects amounts due to Pittsylvania County of $333,159 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 2021, 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, 2020, was as follows:

	June 30, 2019 Balance*	Increases	Decreases	June 30, 2020 Balance
Capital assets not being depreciated:				
Cyber Park - Land	$ 5,614,792	$ -	$ -	$ 5,614,792
Cane Creek Centre - Land	5,152,203	-	-	5,152,203
Industrial Park - Land	13,065,540	786,870	58,555	13,793,855
Total capital assets not being depreciated	23,832,535	786,870	58,555	24,560,850
Capital assets being depreciated:				
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
Machinery and equipment	441,580	329,110	-	770,690
Total capital assets being depreciated	34,642,354	329,110	-	34,971,464
Less accumulated depreciation for:				
Buildings	9,793,215	601,811	-	10,395,026
Building Improvements	94,454	8,126	-	102,580
Land Improvements	1,653,640	159,152	-	1,812,792
Infrastructure	481,668	40,139	-	521,807
Machinery and equipment	3,437	-	767	2,670
Total accumulated depreciation	12,026,414	809,228	767	12,834,875
Total capital assets being depreciated, net	22,615,940	(480,118)	(767)	22,136,589
Total capital assets, net	$ 46,448,475	$ 306,752	$ 57,788	$ 46,697,439

*As restated. See note 12.

6. Construction in Progress

Construction in progress consisted of the following at June 30:

	June 30, 2019 Balance	Increases	Decreases	June 30, 2020 Balance
Industrial Park*	$ 14,628,421	$ 4,486,971	$ -	$ 19,115,392

** Current year additions do not include interest. The construction in progress total for this project includes an accumulated total of $1,307,712 capitalized interest at June 30, 2020. Per GASB Statement No. 89, interest related to construction will be expensed prospectively.*

7. Long-Term Debt

The following schedule represents all bonds payable:

Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2020
2019 Revenue Refunding bonds – direct borrowing	$ 2,545,000	$ 205,000 – 515,000	2.27%	1/1/2025	$ 2,120,000

In August 2019, the Authority issued $2,545,000 in revenue refunding bonds. These bonds were issued to satisfy the outstanding balance of the Series 2016 revenue bonds. Debt service payments are made with funds received from the City of Danville and Pittsylvania County.

Long-term debt activity for the year ended June 30, 2020 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds – direct borrowing	$ 3,470,000	$ 2,545,000	$ 3,895,000	$ 2,120,000	$ 445,000
Original issue discount	(260)	-	(260)	-	-
	$ 3,469,740	$ 2,545,000	$ 3,894,740	$ 2,120,000	$ 445,000

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
2021	$ 445,000	$ 66,602	$ 511,602
2022	465,000	50,632	515,632
2023	490,000	33,872	523,872
2024	515,000	16,234	531,234
2025	205,000	3,598	208,598
	$ 2,120,000	$ 170,938	$ 2,290,938

8. Economic Development

In July 2019, the Authority entered into a local performance agreement with Gefertec LLC. The company has agreed to establish a North American Application Center for 3D metal printing/additive manufacturing within the Institute for Advanced Learning and Research. Incentives from the Authority of up to $95,752 are being offered to assist with the construction of the new facility and towards the payment of base rent. No related incentive expense has been recorded.

In fiscal year 2020, the Authority purchased property containing approximately 192 acres in support of the Southern Virginia Megasite at Berry Hill project. In June 2020, the Authority provided a land grant of approximately 16 acres located in the Southern Virginia Megasite at Berry Hill for the construction and operation of a power substation. The related incentive expense was recorded in fiscal year 2020.

In October 2019, the Authority entered into a local performance agreement with Morgan Olson, LLC, North America's leading manufacturer of all-aluminum walk-in step vans. The company established its manufacturing facility within the plant previously owned by IKEA. The Authority entered into an agreement to provide a ground lease with a term of 15 years with an annual base rent of $1 per year with an option to purchase the land after employment criteria have been met. The Authority is also committed to providing grant funds of up to $851,500 towards capital investment and the creation of new jobs. No related incentive expense has been recorded.

In April 2020, the Authority entered into a local performance agreement with Just Greens, LLC, doing business as AeroFarms. The company will establish and operate a vegetable growing and processing facility in the Authority's Cane Creek Centre Industrial Park. The Authority and RealtyLink executed a contract for sale for the purchase of the Project Site which has not closed as of June 30, 2020. An Industrial Enhancement Grant in the form of annual tax rebates on real estate and tangible personal property totaling $1,723,404 will be provided as an incentive by the Authority. No related incentive expense has been recorded.

8. Economic Development (Continued)

In fiscal year 2019, the Authority entered into a local performance with Harlow Fastech LLC. As part of the local performance agreement, the Authority has a $500,000 Enhancement Grant to purchase machinery and equipment on behalf of Harlow Fastech. Also, the Authority was awarded a $630,000 Tobacco Region Opportunity Fund Loan on behalf of the Company for equipment and employment incentives. Per the agreements, the Authority has rights to the machinery and equipment until Harlow Fastech meets the obligations and then at that point, the equipment ownership would be transferred to the Company. As a result, there is approximately $436,000 of machinery and equipment capitalized in Note 5 at June 30, 2020 that is expected to be disposed of through a future economic incentive expense.

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, 2021 is estimated to be $3,475.

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. In fiscal year 2019, the Authority sold 87.04 acres, known as Lot 7A, in the Cane Creek Centre Industrial Park to IKEA Industry Danville, LLC for $1 in accordance with the agreement dated October 25, 2006. The Authority's cost of the land was $951,836 and the sale was made in exchange for a quitclaim, release and waiver by IKEA of any and all options or rights to the real property owned by the Authority in Cane Creek Centre.

The Research Building, which has a carrying value of $4,793,853 at June 30, 2020 and accumulated depreciation of $2,241,957, 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 2020, $304,950 of rental income was received through this lease.

The Institute Building is leased to the IALR for $1 per year. The lease term began June 2004 for a 15 year period and will automatically renew on an annual basis thereafter for successive one year period. Insurance and maintenance costs are the responsibility of the lessee.

10. Long-Term Operating Leases (Continued)

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, 2020, the Authority had approximately $15.5 million in outstanding engineering and consulting contracts, of which approximately $5,344,294 had not been expended.

12. Restatement

The following is a summary of the restatement to net position, resulting from a correction of machinery and equipment that was not capitalized:

Net position July 1, 2019, as previously reported	$ 60,396,091
Machinery and equipment not properly capitalized	110,435
Net position July 1, 2019, as restated	$ 60,506,526

13. COVID-19 Uncertainty

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on rapid increase in exposure globally.

The Authority's operations are heavily dependent on the ability to provide incentives and attract businesses to the Authority's industrial parks. The outbreak could have a continued material adverse impact on economic and market conditions. This situation has depressed the tax bases and other areas in which the Authority operates during fiscal year 2020. As such, the Authority's financial condition and liquidity may be negatively impacted in future fiscal years.

14. Subsequent Events

In August 2020, the Authority signed an agreement with Mountain Valley Pipeline, LLC regarding a right-of-way easement. The agreement notes a $750,000 payment to the Authority, however, the full agreement has yet to be finalized.

15. 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.

* * * * *

BROWNEDWARDS
certified public accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 8, 2020.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 8, 2020

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

SUMMARY OF COMPLIANCE MATTERS
Year Ended June 30, 2020

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, 2020

CONTENTS

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMMENTS AND SUGGESTIONS

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

In planning and performing our audit of the financial statements of the Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") as of and for the year ended June 30, 2020, 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 in circumstances 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.

The Authority's response to our recommendation is included in this report. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 8, 2020

COMMENTS AND SUGGESTIONS
June 30, 2020

Accounting for Construction in Progress and Infrastructure in Future Years

Construction in progress at the Berry Hill industrial park has reached approximately $19,115,000 as of June 30, 2020. Although not of effect for the current fiscal year, in the future the Authority will need to allocate its costs of construction in progress for the Berry Hill park into the following categories:

- Improvement costs associated with individual lots – these costs generally should be written off at the time the lot is sold or granted to a third party.
- Costs associated with utilities – these costs should be written off at the time any utilities (water, sewer, gas, or electric) are contributed to the utility system of the City of Danville, which will then record the value of those assets and accept responsibility for them.
- Costs associated with infrastructure that is contributed to VDOT – any such costs should be written off at the time any roads or other infrastructure is accepted by VDOT.
- Costs associated with infrastructure that will be retained – if infrastructure is retained by the Authority (meaning that the Authority will retain responsibility for care and maintenance), this should be assigned a useful life at the time it is placed in service, and depreciated over that useful life.

As noted previously, these are matters that are of no impact on the current year audit but will be relevant as the Berry Hill projects mature. We recommend that management begin a process for separating and identifying or estimating the allocation of such costs as described above.

Management's Response: *Management will begin to evaluate a process for separating and identifying or estimating the allocation of costs related to construction in progress and infrastructure.*

PRIOR YEAR COMMENTS AND SUGGESTIONS
June 30, 2020

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 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.*

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 effective dates below are updated based on **Statement No. 95**, ***Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

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 reporting periods beginning after December 15, 2019.

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.

(Continued)

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.

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.

(Continued)

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.

(Continued)

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 fiscal years beginning after June 15, 2021.

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 reporting periods beginning after June 15, 2019.

(Continued)

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 reporting periods beginning after December 15, 2019. 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.

The GASB issued **Statement No. 91**, ***Conduit Debt Obligations*** in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

(Continued)

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

(Continued)

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

The GASB issued **Statement No. 92**, ***Omnibus 2020*** in January 2020. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 and application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for fiscal years beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

(Continued)

The GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates*** in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases,* as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

(Continued)

The GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*** in March 2020**.** The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, *Leases,* as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator’s estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term. This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

(Continued)

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator 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 the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

(Continued)

The GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements*** in May 2020**.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term—which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

(Continued)

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

The GASB issued **Statement No. 97**, ***Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*** in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

(Continued)

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

(Continued)

CURRENT GASB PROJECTS

GASB currently has a variety of projects in process. Some of these projects discussed below.

Conceptual Framework – Recognition. The project's objective is to develop recognition criteria for *whether* information should be reported in state and local governmental financial statements and *when* that information should be reported. This project ultimately will lead to a Concepts Statement on recognition of elements of financial statements. The project is currently in the exposure draft comment period, with an estimated completion of February 2021.

Conceptual Framework – Disclosure. The project's objective is to develop concepts related to a framework for the development and evaluation of notes to financial statements for the purpose of improving the effectiveness of note disclosures in government financial reports. The framework will establish criteria for the Board to use in evaluating potential note disclosure requirements during future standards-setting activities and in reexamining existing note disclosure requirements. Those concepts also will provide governments a basis for considering the essentiality of information items for which the GASB does not specifically provide authoritative disclosure guidance. This project is currently in exposure draft comment period.

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

Revenue and Expense Recognition. The objective of this project is to develop a comprehensive application model for the classification, recognition, and measurement of revenues and expenses. The purpose for developing a comprehensive model is (1) to improve the information regarding revenues and expenses that users need to make decisions and assess accountability, (2) to provide guidance regarding exchange and exchange-like transactions that have not been specifically addressed, (3) to evaluate revenue and expense recognition in the context of the conceptual framework, and (4) to address application issues identified in practice, based upon the results of the pre-agenda research on revenue for exchange and exchange-like transactions. The project is currently in the preliminary views comment period, with an estimated completion of February 2021.

BROWN EDWARDS
certified public accountants

REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of Danville-Pittsylvania Regional Industrial Facility Authority (the "Authority") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2020. 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, 2020. 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, 2020 audit.

The following audit adjustments were proposed, which were recorded by the Authority, either individually or in the aggregate, indicate matters that had a significant effect on the Authority's financial reporting process.

- An $885,310 increase in due from other governments and a corresponding increase in operating revenue.
- A $147,000 increase in unearned revenue and a corresponding decrease in 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 December 8, 2020, 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 Authority.

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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 8, 2020

Danville-Pittsylvania Regional Industrial Facility Authority

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

December 8, 2020

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, 2020, and the respective changes in financial position and, where applicable, 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 December 8, 2020, 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 June 3, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

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

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

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

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

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

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

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

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

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

Information Provided

11) 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.

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

13) 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.

14) 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,
    - Service organizations used by the entity, or
    - Others where the fraud could have a material effect on the financial statements.

15) 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.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

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

18) 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

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

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

21) 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.

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

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

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

25) 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.

26) 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.

27) 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.

28) 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.

29) 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.

30) 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.

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

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

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

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

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

36) 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.

37) We are not aware of any conditions that would result in an impairment of any capital assets.

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

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

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

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

41) We have reviewed and discussed the balances of the Authority's long-term due to/from accounts related to the City of Danville, Virginia and the County of Pittsylvania, Virginia. It is our conclusion that these balances are materially correct as of June 30, 2020. We are in agreement with the changes in the due to/from account based on contributions by each locality in fiscal year 2020.

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

43) To the extent our normal procedures and controls related to our financial close or other reporting processes were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

44) Other than as disclosed in note 13 to the financial statements, no other impacts from the COVID-19 outbreak are necessary to be reflected in those financial statements.

45) Disclosures included in the financial statements regarding the relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflect management's full consideration of such impact

46) We reaffirm the representations made to you in our letter dated November 26, 2019 regarding your audit for the fiscal year ended June 30, 2019.

47) 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.

48) Related parties include, but are not limited to, any member of the Authority's Board of Directors, elected or appointed officials of the City of Danville or Pittsylvania County, any member of management of the Authority or the City or the County, as well as individuals related to any such persons. This also includes entities in which any of these individuals have a beneficial interest. In the current year, there were no related party transactions involving economic development activities, including, but not limited to, acquisitions of property or sales of property where the counterparty was a related party. There were no transactions involving grant awards to a related party, nor were there contracts for construction or other services with related parties. The oversight and internal control over all such transactions is such that any related party transactions would be identified at the board of director's level, fully disclosed in the financial statements, as well as the Authority's minutes, and evaluated for overall appropriateness with legal counsel, as appropriate.

Signature: Ken Larking

Title: City of Danville – City Manager

Signature: Michael L. Adkins

Title: City of Danville – Finance Director

Signature:

Title: Pittsylvania County – County Administrator

Signature: Kimberly G. Van Der Hyde

Title: Pittsylvania County – Finance Director

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 5E
Meeting Date:	January 11, 2021
Subject:	Financial Status Reports – December 31, 2020
From:	Michael L. Adkins, Authority Treasurer

SUMMARY

A review of the financial status reports through December 31, 2020 will be provided at the meeting. The financial status reports as of December 31, 2020 are attached for the DPRIFA Board's review.

RECOMMENDATION

Staff recommends approving the financial status reports as of December 31, 2020 as presented.

ATTACHMENTS

Financial Status Reports

Danville - Pittsylvania Regional Industrial Facility Authority

Financial Status

Table of Contents

Danville-Pittsylvania Regional Industrial Facility Authority

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

As of December 31, 2020

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
Funds from bond issuance	$7,300,000.00				
Issuance cost	(155,401.33)				
Refunding cost [7]	(52,500.00)				
Bank fees	(98.25)				
Interest earned to date	486,581.70				
Cane Creek Parkway [3]		$3,804,576.00	$3,724,241.16	$ -	
Swedwood Drive [2]		69,414.00	69,414.00	-	
Cane Creek Centre entrance [3]		72,335.00	53,878.70	-	
Financial Advisory Services		9,900.00	9,900.00	-	
Dewberry contracts [1]		69,582.50	69,582.50	-	
Dewberry contracts not paid by 1.7 grant [4, 5]		76,986.46	50,001.62	26,984.84	
Land		-	2,792,945.57	-	
Demolition services		71,261.62	71,261.62	-	
Legal fees		-	247,837.83	-	
CCC - Lots 3 & 9 project - RIFA Local Share [6]		142,190.00	112,464.98	-	
Other expenditures		-	347,194.30	-	
Total	$ 7,578,582.12	$ 4,316,245.58	$ 7,548,722.28	$ 26,984.84	**$ 2,875.00**

Notes:

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

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

[3] Project completed under budget

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

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

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

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

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

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

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

Danville-Pittsylvania Regional Industrial Facility Authority

General Expenditures for Fiscal Year 2021
As of December 31, 2020

	Funding	Budget	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
City Contribution	$ 25,000.00				
County Contribution	25,000.00				
Carryforward from FY2020	(50,019.37)				
Transfer from Unrestricted Fund Balance	200,000.00				
Contingency					
Miscellaneous contingency items		$ 10,000.00	$ 2,374.30	$ -	$ 7,625.70
Total Contingency Budget		10,000.00	2,374.30	-	7,625.70
Legal		160,080.63	60,384.50	-	99,696.13
Accounting		22,400.00	22,400.00	-	-
Postage & Shipping		100.00		-	100.00
Meals		4,000.00	1,250.52	-	2,749.48
Utilities		400.00	153.50	-	246.50
Insurance		3,000.00	2,353.00	-	647.00
Total	$ 199,980.63	$ 199,980.63	$ 88,915.82	$ -	**$ 111,064.81**

Danville-Pittsylvania Regional Industrial Facility Authority
Southern Virginia Megasite at Berry Hill - Funding Other than Bond Funds
As of December 31, 2020

Funding	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
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				
TIC #2264 - Phase II Land and Engineering	3,700,000.00				
VA Economic Development Partnership MEI Grant Funds	577,503.14				
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	-	
401 Buford Road		246,082.96	246,082.96	-	
Off State Road 1055		181,890.19	181,890.19	-	
604 Buford Road		361,896.60	361,896.60	-	
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)		160,500.00	160,500.00	-	
Dewberry Engineers		405,090.00	388,915.00	16,175.00	
Appalachian Power Company		1,655,000.00	678,500.00	976,500.00	
Banister Bend Farm, LLC		199,064.00	199,064.00	-	
Transfer available funds to "Berry Hill Mega Park - Lot 4 Site Development" Project [8]		-	11,203.15	-	
Total	$ 18,509,027.97	$ 17,441,048.58	$ 16,445,402.87	$ 995,645.71	**$ 1,067,979.39**

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

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

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

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

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

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

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

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

Danville-Pittsylvania Regional Industrial Facility Authority

Southern Virginia Megasite at Berry Hill - Lots 1&2 Site Development

As of December 31, 2020

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
TIC #3358 Site Improvements					
Tobacco Commission Grant	$ 2,624,800.00				
Expenditures					
Dewberry Engineers Inc.		379,300.00	115,800.00	263,500.00	
Total	$ 2,624,800.00	$ 379,300.00	$ 115,800.00	$ 263,500.00	**$ 2,245,500.00**

Danville-Pittsylvania Regional Industrial Facility Authority

Southern Virginia Megasite at Berry Hill - Water & Sewer

As of December 31, 2020

	Funding	Budget / Contract Amount	Expenditures	Encumbered	Unexpended / Unencumbered
Funding					
TIC #2641 Phase I Sanitary Sewer					
Tobacco Commission Grant 2641	$ 4,840,977.86				
Local Match for Contractual Services	274,926.43				
Local Match for Property & Imp.	262,960.00				
TIC #3011 Water System Improvements Phase II					
Tobacco Commission Grant 3011	2,241,567.00				
Local Match for Property & Imp.	224,160.00				
City of Danville Utilities	3,839,130.76				
Expenditures					
Dewberry Engineers Inc.		1,019,764.99	736,939.99	282,825.00	
Haymes Brothers, Inc. - Phase I Sanitary Sewer		5,092,668.30	5,092,668.30	-	
Haymes Brothers, Inc. - Phase I Sanitary Sewer (City)		3,225,090.76	1,219,194.41	2,005,896.35	
C.W. Cauley & Son - Phase 1 Water		1,843,540.00	950,565.25	892,974.75	
Norfolk Southern Railway Company		22,300.00	22,300.00	-	
Pittsylvania County Service Authority		1,475.00	1,475.00	-	
Treasurer of Virginia		7,900.00	7,900.00	-	
AECOM		5,000.00	5,000.00	-	
BH Media Group, Inc.		296.00	296.00	-	
Danville Register & Bee		600.00	600.00	-	
Total	$ 11,683,722.05	$ 11,218,635.05	$ 8,036,938.95	$ 3,181,696.10	**$ 465,087.00**

Danville-Pittsylvania Regional Industrial Facility Authority

Rent, Interest, and Other Income Realized for Fiscal Year 2021

As of December 31, 2020

	Funding				
Source of Funds	**Carryforward from FY2020**	**Receipts Current Month**	**Receipts FY2021**	**Expenditures FY2021**	**Unexpended / Unencumbered**
Carryforward	$ 1,034,570.10				
Current Lessees					
Institute for Advanced Learning and Research (IALR) [1]		$ 22,817.05	$ 149,350.51		
Total Rent		$ 22,817.05	$ 149,350.51		
Interest Received [2]			$ 356.12		
Miscellaneous Income		$ 751,057.00	$ 756,671.60		
Expenditures					
Hawkins Research Bldg. Property Mgmt. Fee				$ 126,533.46	
Hawkins Research Bldg. Repairs & Maintenance				$ 868.36	
Transfer to General Expenditures budget				$ 200,000.00	
Disbursements for Gerfertec incentives				$ 12,688.02	
Totals	$ 1,034,570.10	$ 773,874.05	$ 906,378.23	$ 340,089.84	$ 1,600,858.49
				Restricted [1]	$ 335,643.75
				Unrestricted	$ 15,870.43
				Committed	$ 1,249,344.31

[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 Ind. Facility Authority
Check Detail
December 2020

Check Number	Date	Vendor Name	Paid Amount
WIRE	12/20/2020	City of Danville	30.70
2378	12/01/2020	Treasurer of Pitts County	274.30
2379	12/01/2020	IALR	25,147.98
2380	12/01/2020	IALR	235.17
2381	12/01/2020	Dewberry Engineers Inc.	33,000.00
2382	12/01/2020	Haymes Brothers, Inc	434,916.74
2383	12/02/2020	Clement & Wheatley	150.00
2384	12/14/2020	Haymes Brothers, Inc	283,241.06
2385	12/14/2020	IALR	2,114.67
2386	12/14/2020	Christian & Barton, LLP	20,021.00
2387	12/14/2020	Brown, Edwards & Company	12,400.00

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position [1, 2]
*December 31, 2020**

		Unaudited FY 2021
Assets		
Current assets		
Cash - checking	$	1,731,332
Cash - money market		456,306
Total current assets		2,187,638
Noncurrent assets		
Restricted cash - project fund CCC bonds		36,360
Restricted cash - debt service fund CCC bonds		506,281
Capital assets not being depreciated		24,560,850
Capital assets being depreciated, net		22,136,588
Construction in progress		19,115,392
Total noncurrent assets		66,355,471
Total assets		68,543,109
Liabilities		
Current liabilities		
Economic development payable - current portion		184,344
Bonds payable - current portion		445,000
Total current liabilities		629,344
Noncurrent liabilities		
Economic development payable - less current portion		315,000
Bonds payable - less current portion		1,675,000
Total noncurrent liabilities		1,990,000
Total liabilities		2,619,344
Net Position		
Net investment in capital assets		63,729,190
Restricted - debt reserves		506,281
Unrestricted		1,688,294
Total net position	$	65,923,765

[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.

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Revenues and Expenses and Changes in Fund Net Position
December 31, 2020*

	Unaudited FY 2021
Operating revenues	
Virginia Tobacco Commission Grants	349,339
Rental income	152,825
Other Income	321,087
Total operating revenues	823,251
Operating expenses [4]	
Mega Park expenses [3]	1,670,343
Cane Creek Centre expenses [3]	12,798
Cyber Park expenses [3]	153,471
Professional fees	50,432
Other operating expenses	5,357
Total operating expenses	1,892,401
Operating income (loss)	(1,069,150)
Non-operating revenues (expenses)	
Interest income	356
Total non-operating expenses, net	356
Net income (loss) before capital contributions	(1,068,794)
Capital contributions	
Contribution - City of Danville	1,141,142
Contribution - Pittsylvania County	284,722
Total capital contributions	1,425,864
Change in net position	357,070
Net position at July 1, 2020	65,566,695
Net position at December 31, 2020	$ 65,923,765

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

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

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
*December 31, 2020**

		Unaudited FY 2021
Operating activities		
Receipts from grant reimbursement requests	$	1,620,691
Receipts from leases		149,350
Other receipts		750,000
Payments to suppliers for goods and services		(3,079,222)
Net cash used by operating activities		(559,181)
Capital and related financing activities		
Capital contributions		1,425,864
Interest paid on bonds		(37,496)
Net cash provided by capital and related financing activities		1,388,368
Investing activities		
Interest received		356
Net cash provided by investing activities		356
Net increase (decrease) in cash and cash equivalents		829,543
Cash and cash equivalents - beginning of year (including restricted cash)		1,900,736
Cash and cash equivalents - through December 31, 2020 (including restricted cash)	$	2,730,279
Reconciliation of operating loss before capital contributions to net cash used by operating activities:		
Operating income (loss)	$	(1,069,150)
Changes in assets and liabilities:		
Change in other receivables		1,700,265
Change in accounts payable		(1,186,821)
Change in unearned income		(3,475)
Net cash used by operating activities	$	(559,181)

Components of cash and cash equivalents at December 31, 2020:		
American National - Checking	$	1,731,332
American National - General money market		456,306
Wells Fargo - $7.3M Bonds CCC Debt service fund		506,281
Wells Fargo - $7.3M Bonds CCC Project fund		36,360
	$	2,730,279

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 6ABCDEF
Meeting Date:	01/11/2021
Subject:	Closed Session
From:	Chairman

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; and

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 Megasite 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

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; and

RETURN TO OPEN SESSION

D. Reinstatement/Unmuting of Conference Line**.**
E. Confirmation of Motion and Vote to Reconvene in Open Meeting.
F. Motion to Certify Closed Meeting.

Danville-Pittsylvania Regional Industrial Facility Authority

Executive Summary

Agenda Item No.:	Item 7
Meeting Date:	01/11/2021
Subject:	Board/Staff
From:	Chairman

Communications from:

- Board Members
- Staff:
  - Dewberry Overview of SVMA Utilities – Brian Bradner, P.E., Vice President, and Shawn Harden, P.E., Senior Associates, Dewberry Engineers, Inc.
  - IDA Shell Building in the Cyber Park – Corrie Bobe, Director of Economic Development, City of Danville.