INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE
(A Component Unit of the City of Danville, Virginia)

FINANCIAL REPORT

June 30, 2022

INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE

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INTRODUCTORY SECTION

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2022**

DIRECTORS

Neal Morris – Chairman
Russell Reynolds – Vice Chairman
John Laramore – Secretary/Treasurer
Kristen Barker
David Cumbo
Phillip Hall
Robert Woodall, III

OFFICIALS

Joy Jarvis	Secretary
Corrie Bobe	Economic Development Director
Ken Larking	City Manager
Linwood Wright	Economic Development Consultant
Kim Custer	Economic Development Project Manager
W. Clarke Whitfield, Jr.	City Attorney
Michael L. Adkins	City Director of Finance

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

Financial Section contains the Basic Financial Statements.

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Industrial Development Authority of Danville
Danville, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Industrial Development Authority of Danville (the "Authority"), a discretely presented component unit of the City of Danville, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Notes 1 and 7 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases.* Our opinion is not modified with respect to this matter.

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Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management 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; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Audit of the Financial Statements (Continued)

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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and schedule of bonds outstanding but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2023 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 solely 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
April 3, 2023

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

STATEMENT OF NET POSITION
June 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 4,686,897
Accounts receivable	(3,790)
Current lease and interest receivable (Note 7)	668,653
Notes receivable, current portion (Note 3)	93,333
Due from other governments, current portion (Note 4)	866,273
Total current assets	6,311,366
NONCURRENT ASSETS	
Notes receivable, net (Note 3)	3,053,766
Cash and cash equivalents, restricted (Note 2)	9,702,372
Due from other governments, net of current portion (Note 4)	12,988,000
Long-term lease receivable (Note 7)	7,426,227
Capital assets (Note 5)	
Nondepreciable	6,030,326
Depreciable, net	20,970,644
Property held for sale	1,292,430
Total noncurrent assets	61,463,765
Total assets	67,775,131
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	313,206
Security deposits	107,916
Unearned revenues	14,445
Accrued interest	19,326
Current portion of noncurrent liabilities (Note 6)	1,107,877
Total current liabilities	1,562,770
NONCURRENT LIABILITIES	
Revolving loan fund – USDA	99,000
Due in more than one year (Note 6)	20,440,731
Total noncurrent liabilities	20,539,731
Total liabilities	22,102,501
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases (Note 7)	7,862,079
COMMITMENTS AND CONTINGENCIES (Note 9)	-
NET POSITION	
Net investment in capital assets	15,105,427
Restricted (Note 8)	3,000,000
Unrestricted	19,705,124
Total net position	$ 37,810,551

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2022

OPERATING REVENUES	
Lease revenue (Note 7)	$ 894,153
Economic development incentives – City of Danville	1,007,909
Tax credit program fees – New Market Credits	132,500
Interest income from notes receivable	141,343
Total operating revenues	2,175,905
OPERATING EXPENSES	
Economic development contributions and incentives (Note 11)	867,209
Bad debt expense	96,608
Professional services	796,453
Repairs and maintenance	120,423
Insurance and other	334,211
Depreciation	750,258
Total operating expenses	2,965,162
Operating loss	(789,257)
NONOPERATING REVENUES (EXPENSES)	
Interest income	14,677
Interest expense	(600,061)
Loan fees and debt issuance costs	(34,106)
Contributions from City of Danville – land	102,557
Incentive grant	361,333
Loss on sale of property	(3,225)
Land contribution to City of Danville	(763,903)
Total net nonoperating revenue (expenses)	(922,728)
Change in net position	(1,711,985)
NET POSITION	
Beginning	39,522,536
Ending	$ 37,810,551

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 3

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

OPERATING ACTIVITIES	
Receipts from lessees	$ 1,194,533
Receipts from City for economic development	1,007,909
Receipts from notes receivable	174,453
Other receipts	334,716
Payments to economic incentive grant recipients	(867,209)
Payments to suppliers	(1,143,385)
Net cash provided by operating activities	701,017
CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the sale of capital assets	5,000
Repayment of debt	(1,551,517)
Payments for the purchase and construction of capital assets	(2,812,981)
Debt issuance costs	(34,106)
Interest paid on debt	(609,058)
Net cash used in capital and related financing activities	(5,002,662)
NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Contribution from City, net	542,343
Net cash provided by non-capital and related financing activities	542,343
INVESTING ACTIVITIES	
Interest received	14,677
Net cash provided by investing activities	14,677
Net decrease in cash and cash equivalents	(3,744,625)
CASH AND CASH EQUIVALENTS	
Beginning of year	18,133,894
Ending of year	$ 14,389,269

(Continued)

The Notes to Financial Statements are an integral part of this statement.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**STATEMENT OF CASH FLOWS
Year Ended June 30, 2022**

RECONCILIATION TO EXHIBIT 1	
Cash and cash equivalents	$ 4,686,897
Cash and cash equivalents, restricted	9,702,372
	$ 14,389,269
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (789,257)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	750,258
Other income	361,333
Change in	
Accounts receivable	73,684
Leases receivable	919,053
Accounts payable and accrued expenses	107,702
Security deposits	28,214
Unearned revenues	(5,103)
Deferred inflows related to leases	(874,585)
Notes receivable	129,718
Net cash provided by operating activities	$ 701,017
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital asset contributed to City	$ 763,903
Capital asset additions included in accounts payable	$ 61,152

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Reporting entity

The Industrial Development Authority of Danville (the "Authority") was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City Council of Danville on April 25, 1967, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 et. seq. of the *Code of Virginia* (1950) as amended). The Authority is governed by seven directors appointed by the City Council. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia. The Authority is also authorized to issue debt to aid it in these activities as well.

For financial reporting purposes, the Authority is a discretely presented component unit of the City of Danville, Virginia (the "City"). The Authority is so classified because its members are appointed by City Council and the City provides significant funding to the Authority; thus, the City is financially accountable for the Authority.

Measurement focus and basis of accounting

The Authority's financial statements consist of a single enterprise fund and are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority arise from the sale of property, lease revenue, and economic development grants. Operating expenses include contributions to industries, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating.

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

Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Accounts receivable

Accounts receivable consist of amounts owed to the Authority from a lessee for rent and invoices for maintenance and repairs.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets

Capital assets are defined by the Authority as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Land improvements	15-40 years
Equipment	5-15 years

Property held for sale

Property held for sale is recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, or at estimated fair value at the date of gift, if donated. Costs of property improvements are capitalized. Property held for sale is evaluated for impairment periodically. Should the fair value of the property fall below the book value an impairment would be recorded. No such impairment was noted for 2022.

The Authority has land available for sale in the Airside and Riverview Industrial Parks.

Security deposits

Deposits consist of amounts received from lessees that may be used to offset future lease payments or any damages that may occur to the property during the lease term.

Unearned revenues

Unearned revenues consist of short-term operating lease payments that have been received but not earned at year end.

Revolving loan fund – USDA

The Authority has received an advance from the United States Department of Agriculture (USDA) to use as seed money in a revolving loan program for economic development. These funds are repayable to the USDA upon conclusion of the program.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Revolving loan fund – City

During the year ended June 30, 2019, the Authority received $3 million from the City to fund a special projects loan program. The program is intended to support economic development through a construction loan as described in Note 3. All of the funds were loaned in 2021 for projects.

Tax credit program fees

The Authority is party to a management services agreement with Danville, Virginia CDE, Inc. (the "CDE"), whereby the Authority provides the CDE management services for certain of the CDE's daily operating functions. Under this agreement, the Authority receives all fees and payments due the CDE related to tax credits. The CDE participates with investors in local projects to facilitate historic and new market tax credits. Under this agreement, the Authority is not responsible for providing assistance in obtaining tax credits or applying for credits directly. The Authority essentially provides the CDE management and accounting support. This agreement is through December 31, 2022 and will continue year to year thereafter until terminated. Such fees totaled $132,500 in the current year.

Deferred inflows of resources

Lease-related amounts are recognized at the inception of leases in which the Authority is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

Estimates

Management uses estimates and assumptions in preparing the financial statements. Actual results could differ from those estimates.

Related party transactions

The City provides the Authority with personnel and office space at no charge and such costs are not reflected in the accompanying financial statements.

Adoption of new accounting standard

Effective July 1, 2021, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. During the year of implementation of GASB 87, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e. as of July 1, 2021).

Note 1. Summary of Significant Accounting Policies (Continued)

Leases

Key estimates and judgements include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses an estimated incremental borrowing rate as the discount rate for lease.
- The lease term includes the noncancellable periods of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 2. Deposits 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 from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Restricted cash consists of amounts remaining to be loaned out from the revolving loan funds provided by the USDA and the City as noted in Note 1, as well as unspent proceeds from bonds issued during fiscal year 2022.

Unspent bond proceeds for economic development projects	$ 9,653,065
USDA revolving small business loan funds	49,307
Total restricted cash	$ 9,702,372

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, the State Treasurer's Local Government Investment Pool (LGIP), and the State Treasurer's Non-Arbitrage Program (SNAP). As of June 30, 2022, the Authority did not hold any investments.

Note 3. Notes Receivable

Notes receivable consist of loans to companies to provide support and economic development. The 2011 incentive agreement loan relates to an economic incentive agreement awarded in March 2011, and will be forgiven if performance requirements are met by the recipient. The special project revolving loan, with a balance of $2,950,513 as of June 30, 2022, was awarded by the Authority to support a construction project at 123 South Union. This loan bears interest of 4% per annum and is due in full in fiscal year 2024. It is guaranteed by a personal guarantee up to $2,000,000. Other notes receivable consist of various economic development loans to companies. Balances are due over time, are not expected to be collected in full within one year, and bear interest at 4% per annum.

Based on the Authority's analysis of loans at June 30, 2022, $51,010 was recorded as an allowance. Management evaluates the performance and payment history of companies annually in determining the required allowance.

Notes receivable consist of the following:

2011 Incentive agreement loan	$ 150,000
Special project revolving loan	2,950,513
Other loans receivable	97,596
	3,198,109
Less allowance for doubtful accounts	(51,010)
Total notes receivable	3,147,099
Less current portion	(93,333)
Total notes receivable, long-term	$ 3,053,766

The Authority has a $400,000 nonrecourse note receivable from Westmoreland and Schoolfield Senior Apartments, LLC due in 2038. Since it is nonrecourse to the maker, the Authority's legal counsel has concluded the Authority legally has no right to collect the note and it is not repayable unless there is a default, which would be as a result of a sale or other transfer of the underlying property. Based on these factors and the fact that there is no default as of June 30, 2022, the Authority has not recorded this note.

(Continued)

Note 4. Due From Other Governments

On September 1, 2013, the IDA issued a taxable revenue bond in the amount of $7,160,000. As part of the debt issuance documents, the City has agreed to appropriate annual payments to the IDA for debt service. This bond was refunded in fiscal year 2017 and again in 2021. The new interest rate for the bond is 1.49% and is scheduled to be paid off in fiscal year 2028.

In May 2021, the IDA issued a taxable Public Facility Lease Revenue Note in the amount of $10,000,000, the proceeds of which were placed in unspent bond proceeds. As part of the debt issuance documents, the City has agreed to appropriate annual payments to the IDA for debt service, therefore upon the consummation of this agreement the IDA recognized a $10 million receivable from the City and a corresponding amount of economic development revenue from the City.

The IDA also has $11,343 receivable from the City for property maintenance at June 30, 2022.

In October 2021, the IDA entered into an agreement with the IDA of Pittsylvania County to jointly borrow $2,875,000 for the construction of a 30,000 square foot shell building in the Cyber Park. At June 30, 2022, the IDA has a $283,930 receivable from the IDA of Pittsylvania County.

These amounts are due in the following installments:

Year Ending	Due From Other Governments To IDA	
June 30,	Principal	Interest
2023	$ 866,273	$ 214,898
2024	580,000	206,361
2025	588,000	197,689
2026	10,597,000	175,223
2027	606,000	15,965
2028-2032	617,000	4,597
	$ 13,854,273	$ 814,733

Note 5. Capital Assets

The Authority's capital assets are held for lease to businesses operating or wishing to locate in the City. Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 3,995,306	$ 157,557	$ (4,200)	$ 4,148,663
Construction in progress	1,609,397	1,590,933	(1,318,667)	1,881,663
Total capital assets, not depreciated	5,604,703	1,748,490	(1,322,867)	6,030,326
Capital assets, being depreciated:				
Buildings	24,126,563	1,611,986	(29,197)	25,709,352
Equipment	75,000	-	-	75,000
Total capital assets being depreciated, net	24,201,563	1,611,986	(29,197)	25,784,352
Less accumulated depreciation	(4,064,025)	(750,258)	575	(4,813,708)
Total capital assets being depreciated, net	20,137,538	861,728	(28,622)	20,970,644
Total capital assets, net	$ 25,742,241	$ 2,610,218	$ (1,351,489)	$ 27,000,970

Of the properties above, approximately $2,652,211 of the net book value was invested in properties which are not currently under lease, but are available for lease or sale.

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Notes from direct borrowings	$ 8,958,564	$ 20,561	$ (989,517)	$ 7,989,608	$ 536,877
Bonds payable	14,121,000	-	(562,000)	13,559,000	571,000
	$ 23,079,564	$ 20,561	$ (1,551,517)	$ 21,548,608	$ 1,107,877

Note 6. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt and related interest are as follows:

	Bonds Payable			Notes from Direct Borrowings		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 571,000	$ 214,898	$ 785,898	$ 536,877	$ 348,282	$ 885,159
2024	580,000	206,361	786,361	1,400,642	324,558	1,725,200
2025	588,000	197,689	785,689	1,121,772	274,696	1,396,468
2026	10,597,000	175,223	10,772,223	1,147,110	193,077	1,340,187
2027	606,000	15,965	621,965	423,290	225,449	648,739
2028-2032	617,000	4,597	621,597	2,704,083	297,627	3,001,710
2033-2037	-	-	-	655,834	13,330	669,164
	$ 13,559,000	$ 814,733	$ 14,373,733	$ 7,989,608	$ 1,677,019	$ 9,666,627

Details of long-term indebtedness are as follows:

	Issue Date	Maturity Date	Authorized and Issued	Interest Rate	Amount Outstanding
Notes from Direct Borrowings:					
American National Bank & Trust Company	Jan 2011	Mar 2027	$ 2,700,000	4.00 %	$ 1,697,862
American National Bank & Trust Company	May 2013	May 2023	1,100,000	4.75	607,653
American National Bank & Trust Company	Sept 2013	Oct 2023	1,500,000	4.50	1,053,029
American National Bank & Trust Company	June 2021	June 2026	880,000	4.25	759,801
American National Bank & Trust Company	June 2021	June 2026	500,000	4.25	251,634
American National Bank & Trust Company	Oct 2019	June 2024	967,250	4.25	943,987
American National Bank & Trust Company	Dec 2020	Jan 2026	1,328,000	4.50	732,305
American National Bank & Trust Company	April 2021	April 2031	524,000	2.00	520,446
					6,566,717
Virginia Small Business Financing Authority	April 2013	Mar 2023	500,000	3.75	326,038
Virginia Community Capital	April 2013	May 2023	1,500,000	4.50	1,096,853
					1,422,891
					$ 7,989,608
General Obligation Bonds:					
Taxable Revenue Bonds, Series 2021B	May 2021	Dec 2027	$ 4,184,000	1.49%	$ 3,559,000
Taxable Revenue Bonds, Series 2021A	May 2021	June 2026	10,000,000	1.64	10,000,000
					$ 13,559,000

Bank notes payable are generally collateralized by real property.

In 2022, the Authority renewed two existing loans and total closing costs of $20,561 were added to the respective loans.

Note 7. Leases

Authority as lessor

The Authority, as a lessor, has various leases to local companies with various terms and renewal options. These businesses have received incentives through the Authority to locate, expand, or remain in the Danville area. Lease payments are based on the principal loan balance the Authority owes on the individual properties. These leases have remaining terms of 3-5 years with options to extend between 8 and 15 years. The Authority uses its estimated incremental borrowing rate as the discount rate for the leases. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized for the year ended June 30, 2022 was $894,153. As of June 30, 2022, the Authority's lease receivable, including interest, for these payments total $8,094,880.

The Authority's leases consist of the following minimum future lease payments:

Fiscal Year	
2023	$ 639,112
2024	666,980
2025	657,741
2026	679,024
2027	642,860
Thereafter	4,779,622
	8,065,339
Less current portion	(639,112)
Long-term leases receivable	$ 7,426,227

Note 8. Net Position

Restricted net position at June 30, 2022 consists of $3,000,000 that the Authority has received from the City for use for a revolving loan fund to aid new and existing local businesses.

Note 9. Commitments and Contingencies

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates with other localities in a public entity risk pool for coverage of general liability with the Virginia Municipal League Liability Pool (VMLLP). Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The Authority pays VMLLP contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims, and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

The Authority may be involved in potential lawsuits arising from the ordinary course of business. It is management’s belief that any liability resulting from such lawsuits would not be material in relation to the Authority’s financial position.

Other contingencies related to incentive grants and agreements are discussed elsewhere in these notes.

Note 10. Conduit Debt Obligations

From time to time, the Authority has issued Economic Revenue Bonds (Bonds) to provide financial assistance to private sector entities for the acquisition and construction of industrial, commercial, and educational facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the state, nor any political subdivision thereof, including the Authority, is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

At June 30, 2022, there was a single Revenue Bond outstanding, with a principal amount payable of $13,870,000.

Note 11. Incentive Grants

The City, often in conjunction with the Authority, has awarded performance grants to companies within the City to foster economic development. Disbursements under these grants vary based on the performance requirements and period in which the company has to perform. During the current fiscal year, the City awarded approximately $2,219,500 in new grants and paid approximately $443,000 in such grant funds for awards for current and prior years from the Economic Development Fund. Additional performance grants, for which performance requirements have not yet been substantially met, total approximately $6,065,100, and will be funded by the City through the Authority.

(Continued)

Note 11. Incentive Grants (Continued)

In fiscal year 2017, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Overfinch for the location of a facility in the City of Danville, Virginia. The Authority will lease to Overfinch a facility suitable for its operations. Overfinch can choose to remain in this facility or have the Authority build a new facility on a certain parcel of land. No decision has been reached on that construction. Overfinch's capital investment requirements vary based on the option chosen for the facility, however, the job requirements remain the same. During fiscal year 2022, Overfinch was operating in the leased facility and was considered delinquent with its performance requirements.

In fiscal year 2021, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Litehouse, Inc., for expanding operations and up-fitting buildings located within the City of Danville, Virginia.

In fiscal year 2022, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Danville Masonic Towers LLC for redeveloping buildings into boutique hotel rooms and commercial space within the City of Danville, Virginia.

In addition to those agreements previously described, the Authority also has multiple performance grants outstanding under which funds have been paid to the companies involved, but the performance period is not yet complete. Should a company fail to perform under the terms of the agreement, all or part of the funds awarded could become due and payable to the Authority. The Authority would then owe funds to the City, which may also owe certain funds back to the various granting authorities. Ultimate repayment responsibility rests with the City for these funds. Total outstanding grants with respect to which the City is contingently liable total approximately $43,333 for funds from the Tobacco Commission.

Incentive grant expense is recognized at the time when the recipient has substantially met the requirements of the award agreement. During the year the Authority recognized expense for the following economic and incentive awards:

Richmond Cedar Works, LLC	$ 275,000
JTI Leaf Services	40,000
Union Street Five LLC	40,000
Essel Propack	211,050
River District Association	100,000
River District Golf & Social LLC	35,000
Gerst House Productions LLC	10,000
AMLNFL, LLC	25,000
River City Towers	13,000
Ma & Daddy's LLC	30,000
Enterprise zone	57,739
Other miscellaneous incentive grants	30,420
	$ 867,209

(Continued)

Note 12. Subsequent Events

The Authority sold property located at 541 North Main Street, Danville, Virginia for $30,000 on July 12, 2022.

The Authority signed a contract with Blair Construction on December 30, 2022 for $2,425,950 to perform the tenant improvements at 1 Ecomnets Way, Danville, Virginia.

The Authority sold property located at 401 and 407 Main Street, Danville Virginia for $201,598 on November 29, 2022.

The Authority issued debt of $21 million for the construction, rehabilitation, and improvements at 424 Memorial Drive, Danville, Virginia on December 15, 2022. There have been no draws to date on this loan.

The Authority issued debt of $3,325,000 to refinance existing debt on 1 Ecomnets Way, Danville, Virginia and financing upfits to the building on January 10, 2023. There has been a total of $932,595 drawn to date.

Note 13. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. 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.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

(Continued)

Note 13. New Accounting Standards (Continued)

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

SUPPLEMENTARY SCHEDULE

INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE

SCHEDULE OF BONDS OUTSTANDING – CONDUIT DEBT
(Unaudited)
June 30, 2022

Type of Issue	Date Issued	Amount of Bonds Issued	Bonds Outstanding June 30, 2022	Bonds Outstanding June 30, 2021	Project Financed
Revenue Bond	Dec 17, 2017	$ 15,035,000	$ 13,870,000	$ 14,150,000	Averett University Capital Projects and debt repayment

COMPLIANCE SECTION

BROWN EDWARDS
certified public accountants

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

Board of Directors
Industrial Development Authority of Danville
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 Industrial Development Authority of Danville (the "Authority"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated April 3, 2023.

Report on 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as Item 2014-001, that we consider to be a material weakness.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.**

Industrial Development Authority of Danville's Response to Finding

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
April 3, 2023

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

SUMMARY OF COMPLIANCE MATTERS
June 30, 2022

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 the laws, regulations, contracts and grant agreements, and other matters shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

- Cash and Investment Laws
- Conflicts of Interest Act
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE

Authority By-Laws

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

A. FINDING – FINANCIAL STATEMENT AUDIT

2014-001: Segregation of Duties (Material Weakness)

Condition:

An important aspect of any internal control system is the segregation of duties. Not all duties at the Authority have been adequately segregated. In an ideal system, no individual would perform more than one duty in connection with any transaction or series of transactions. With limited staff, sufficiently separating duties can be difficult or even impossible. As with all areas of internal control, management and those charged with governance should make careful decisions about the cost versus benefit of any internal control.

Recommendation:

Management should continue to take steps to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management will continue to evaluate possible actions and take steps where feasible.