

**DANVILLE-PITTSYLVANIA REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

FINANCIAL REPORT

June 30, 2023

Danville-Pittsylvania Regional Industrial Facility Authority

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinion

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, 2023, 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, 2023, 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 *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.

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.

Report on the Audit of Financial Statements (Continued)

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 *Government 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.

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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2022 financial statements, on which, in our report dated April 12, 2023, we expressed an unmodified opinion. The 2022 financial information is provided for comparative purposes only.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024 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
March 20, 2024

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Net Position
June 30, 2023

		(For Comparative Purposes Only)
	2023	2022
Assets		
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,883,884	\$ 1,571,171
Due from other governments	2,114,874	734,047
Other receivables	28,679	21,966
Prepays	3,139	2,809
<i>Total current assets</i>	<u>4,030,576</u>	<u>2,329,993</u>
<u>Noncurrent assets</u>		
Restricted cash and cash equivalents	43,086	309,643
Due from Pittsylvania County	1,938,665	1,906,508
Capital assets not being depreciated	23,076,605	23,180,794
Capital assets being depreciated, net	20,080,266	20,931,414
Construction in progress	34,283,295	28,968,146
<i>Total noncurrent assets</i>	<u>79,421,917</u>	<u>75,296,505</u>
Total assets	<u>83,452,493</u>	<u>77,626,498</u>
Liabilities		
<u>Current liabilities</u>		
Accounts payable - general	186,791	575,309
Accounts payable - construction	363,202	576,219
Accrued interest payable	150,888	90,989
Retainage payable	265,731	16,161
Unearned revenue - current	4,100	269,632
Bonds payable - current	515,000	490,000
<i>Total current liabilities</i>	<u>1,485,712</u>	<u>2,018,310</u>
<u>Noncurrent liabilities</u>		
Due to City of Danville	1,938,665	1,906,508
Unearned revenue	147,000	147,000
Bonds payable	4,705,000	5,220,000
<i>Total noncurrent liabilities</i>	<u>6,790,665</u>	<u>7,273,508</u>
Total liabilities	<u>8,276,377</u>	<u>9,291,818</u>
Net position		
Net investment in capital assets	71,612,035	66,730,436
Restricted - debt reserves	22,283	288,841
Unrestricted	3,541,798	1,315,403
Total net position	<u>\$ 75,176,116</u>	<u>\$ 68,334,680</u>

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, 2023

	2023	(For Comparative Purposes Only) 2022
Operating revenues		
Virginia Tobacco Commission grants	\$ 2,510,493	\$ 694,916
Other grants	1,170,586	-
Economic development incentives - City of Danville	1,339,330	320,896
Economic development incentives - County of Pittsylvania	1,339,330	320,896
Other income	1,476,555	484,493
Total operating revenues	7,836,294	1,821,201
Operating expenses		
Depreciation and amortization	851,148	848,758
Economic development - Cyber Park	14,698	437,547
Economic development - Cane Creek Centre	52,433	1,488,777
Economic development - Mega Park	186,200	810,014
Other operating expenses	567,355	602,207
Total operating expenses	1,671,834	4,187,303
Operating income (loss)	6,164,460	(2,366,102)
Non-operating revenues (expenses)		
Interest income	32,553	278
Interest expense	(102,371)	(120,385)
Total non-operating expenses	(69,818)	(120,107)
Net income (loss) before capital contributions	6,094,642	(2,486,209)
Capital contributions		
Contribution - City of Danville	373,397	696,028
Contribution - Pittsylvania County	373,397	696,028
Total capital contributions	746,794	1,392,056
Change in net position	6,841,436	(1,094,153)
Net position at July 1	68,334,680	69,428,833
Net position at June 30	\$ 75,176,116	\$ 68,334,680

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2023

	2023	(For Comparative Purposes Only) 2022
Operating activities		
Receipts from operating grants and activities	\$ 2,294,247	\$ 432,857
Payments to suppliers for goods and services	(537,990)	(1,859,141)
Other payments	3,630,923	592,375
Net cash provided by (used in) operating activities	5,387,180	(833,909)
Capital and related financing activities		
Purchase of capital assets	(5,278,596)	(676,519)
Capital contributions	437,491	1,589,999
Interest paid on bonds	(42,472)	(58,792)
Principal repayments on bonds	(490,000)	(465,000)
Net cash provided by (used in) capital and related financing activities	(5,373,577)	389,688
Investing activities		
Interest received	32,553	278
Net cash provided by investing activities	32,553	278
Net increase (decrease) in cash and cash equivalents	46,156	(443,943)
Cash and cash equivalents - beginning of year	1,880,814	2,324,757
Cash and cash equivalents - end of year	\$ 1,926,970	\$ 1,880,814
Reconciliation to Statement of Net Position		
Cash and cash equivalents	\$ 1,883,884	\$ 1,571,171
Restricted cash and cash equivalents	43,086	309,643
	\$ 1,926,970	\$ 1,880,814

Danville-Pittsylvania Regional Industrial Facility Authority
Statement of Cash Flows
Year Ended June 30, 2023

	2023	(For Comparative Purposes Only) 2022
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 6,164,460	\$ (2,366,102)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	851,148	848,758
Non-cash economic incentive expenses	104,189	705,506
Operating in-kind expenses	43,063	68,297
Changes in assets and liabilities:		
Change in prepaids	(330)	(2,809)
Change in other receivables	(1,387,540)	(261,976)
Change in accounts payable - general	(388,518)	174,500
Change in unearned revenue	708	(83)
Net cash provided by (used in) operating activities	\$ 5,387,180	\$ (833,909)
Supplemental cash flow information		
Capital asset additions financed by retainage payable	\$ 265,731	\$ 16,161
Capital asset additions financed by accounts payable	\$ 363,202	\$ 644,559

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

Economic Incentive Grants

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

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

Cash and Cash Equivalents

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

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

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 \$2,114,874 due from the Virginia Tobacco Commission or other grantor agencies at June 30, 2023.

Prepays

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

Restricted Resources

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

Capital Assets

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

Management does not believe the Authority's real estate has and improvements 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 advances for future economic incentives, for which the Authority has not yet incurred the corresponding expense.

Net Position

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

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies (Continued)

Estimates

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

Income Taxes

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

3. Deposits, Restricted Cash and Investments

Deposits

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of the following at June 30, 2023:

Bond funds to be used for improvements to Cane Creek Centre	\$ 20,803
Restricted funds for Cane Creek Centre debt service	22,283
	<u>\$ 43,086</u>

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP). At June 30, 2023, 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.

At June 30, 2023, the Authority had \$1,739,375 in a money market account with the remainder of cash and cash equivalents in demand deposits.

The Authority has no custodial credit risk policy. However, the Authority had no custodial credit risk related to its investments at June 30, 2023. The Authority does not have a policy related to interest rate risk.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

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, 2023, the Authority reflects amounts due to the City of Danville of \$1,938,665 and a corresponding due from Pittsylvania County for the same amount. This stems from items paid for or contributed by the City of Danville in excess of its share. It is not expected that Pittsylvania County will repay this amount in full in fiscal year 2024, 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, 2023, was as follows:

	June 30, 2022 Balance	Increases	Decreases	June 30, 2023 Balance
<i>Capital assets not being depreciated:</i>				
Cyber Park - Land	\$ 5,614,792	\$ -	\$ -	\$ 5,614,792
Cane Creek Centre - Land	3,772,147	-	-	3,772,147
Industrial Park - Land	13,793,855	-	104,189	13,689,666
<i>Total capital assets not being depreciated</i>	<u>23,180,794</u>	<u>-</u>	<u>104,189</u>	<u>23,076,605</u>
<i>Capital assets being depreciated:</i>				
Buildings	25,617,874	-	-	25,617,874
Building Improvements	310,697	-	-	310,697
Land Improvements	6,372,788	-	-	6,372,788
Infrastructure	2,006,965	-	-	2,006,965
Machinery and equipment	1,135,690	-	-	1,135,690
<i>Total capital assets being depreciated</i>	<u>35,444,014</u>	<u>-</u>	<u>-</u>	<u>35,444,014</u>
<i>Less accumulated depreciation for:</i>				
Buildings	11,598,648	601,811	-	12,200,459
Building Improvements	118,832	8,126	-	126,958
Land Improvements	2,132,291	162,737	-	2,295,028
Infrastructure	602,085	40,139	-	642,224
Machinery and equipment	60,744	38,335	-	99,079
<i>Total accumulated depreciation</i>	<u>14,512,600</u>	<u>851,148</u>	<u>-</u>	<u>15,363,748</u>
<i>Total capital assets being depreciated, net</i>	<u>20,931,414</u>	<u>(851,148)</u>	<u>-</u>	<u>20,080,266</u>
<i>Total capital assets, net</i>	<u>\$ 44,112,208</u>	<u>\$ (851,148)</u>	<u>\$ 104,189</u>	<u>\$ 43,156,871</u>

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

6. Construction in Progress

Construction in progress consisted of the following at June 30:

	June 30, 2022 Balance	Increases	Decreases	June 30, 2023 Balance
Cane Creek Centre	\$ 24,700	\$ -	\$ -	\$ 24,700
Cyber Park	79,565	1,970,625	-	2,050,190
Southern Virginia Megasite	28,863,881	3,344,524	-	32,208,405
	<u>\$ 28,968,146</u>	<u>\$ 5,315,149</u>	<u>\$ -</u>	<u>\$ 34,283,295</u>

7. Long-Term Debt

The following schedule represents all bonds payable:

Description	Original Issue	Annual Amount	Interest Rate	Maturity	Outstanding June 30, 2023
2019 Revenue Refunding bonds	\$ 2,545,000	\$ 205,000 – 515,000	2.27%	1/1/2025	\$ 720,000
2021 Revenue Bond	4,500,000	501,656 – 536,455	1.50%	1/1/2036	4,500,000

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.

In June 2021, the Authority issued a \$4,500,000 revenue bond. The bond was issued to fund costs for continued development of the industrial park which is included in construction in progress. The bond requires interest only accruals until the first principal and interest payment in July 2031. The bond relates to a performance agreement with Appalachian Power Company to move existing transmission lines. The agreement allows the Authority to potentially recover the cost of the associated capital outlays from Appalachian Power Company based on future customer purchases of electricity.

Long-term debt activity for the year ended June 30, 2023 was as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds – direct borrowing	\$ 5,710,000	\$ -	\$ 490,000	\$ 5,220,000	\$ 515,000

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

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
2024	\$ 515,000	\$ 86,069	\$ 601,069
2025	205,000	74,484	279,484
2026	-	71,953	71,953
2027	-	73,037	73,037
2028	-	74,137	74,137
2029-2033	1,800,000	345,926	2,145,926
2034-2036	2,700,000	59,756	2,759,756
	<u>\$ 5,220,000</u>	<u>\$ 785,362</u>	<u>\$ 6,005,362</u>

8. Economic Development

In January 2023, the Authority entered into a local performance agreement with Electronic Instrument and Technology, LLC, to expand its manufacturing operations to develop custom electronic products. Through, this expansion, the company was acquired by German-based electronics company Zollner Electronics Inc. and committed to \$14,000,000 of new investment and 80 new full-time jobs. The terms of the agreement provides a State grant of \$259,200, a performance-based incentive of \$230,000 in the form of tax rebates, and the opportunity to receive \$80,000 from an Enterprise Zone Jobs grant.

9. Short-Term 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, 2024 is estimated to be \$17,600.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

10. Long-Term Leases

In October 2006, the Authority entered into agreements with Swedwood Danville, LLC that provided the Authority would lease 94 acres (valued at \$1,027,947) to Swedwood for 120 months at a rate of \$1 per year. Swedwood had 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 had 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 \$4,266,025 at June 30, 2023 and accumulated depreciation of \$2,769,785, 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 2023, \$272,182 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.

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, 2023, the Authority had approximately \$12 million in outstanding engineering and consulting contracts, of which approximately \$3,159,795 had not been expended.

12. Subsequent Events

The Authority has evaluated subsequent events through March 20, 2024, the date the financial statements were available to be issued. The Authority has concluded no subsequent events have occurred that require disclosure.

Danville-Pittsylvania Regional Industrial Facility Authority
Notes to Financial Statements
June 30, 2023

13. Dissolution of Authority

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

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**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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 20, 2024.

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 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.**

Report on 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 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*.**

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
March 20, 2024

DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL FACILITY AUTHORITY

SUMMARY OF COMPLIANCE MATTERS

Year Ended June 30, 2023

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