

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A COMPONENT UNIT OF PITTSYLVANIA COUNTY, VIRGINIA)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A COMPONENT UNIT OF PITTSYLVANIA COUNTY, VIRGINIA)
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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INTRODUCTORY SECTION

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
BOARD MEMBERS

Eddie Hite, Jr., Chairman
Charlie Mahan, Vice Chairman
Stanley Simpson, Secretary/Treasurer
Joey Faucette
Ronnie Haymore
John Daniel
Randy Anderson

FINANCIAL SECTION



Independent Auditors' Report

**To the Board of Directors
Industrial Development Authority of Pittsylvania County
Chatham, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Pittsylvania County, a component unit of Pittsylvania County, Virginia, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Industrial Development Authority of Pittsylvania County, as of June 30, 2020, and the 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.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2020, the Authority adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 11 to the financial statements, in 2020, the Authority restated beginning balances to reflect the change in fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Industrial Development Authority of Pittsylvania County's basic financial statements. The introductory section is presented for additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 on our consideration of Industrial Development Authority of Pittsylvania County'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 Industrial Development Authority of Pittsylvania County'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 Industrial Development Authority of Pittsylvania County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Robinson, Famer, Cox Associates".

Blacksburg, Virginia
October 6, 2020

Basic Financial Statements

Industrial Development Authority of Pittsylvania County
(A Component Unit of Pittsylvania County, Virginia)
Statement of Net Position
June 30, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 909,459
Accounts receivable	5,599
Notes receivable, current portion	1,744,720
Interest receivable	17,505
Prepaid items	1,488
Inventory:	
Property held for resale	1,303,700
	<hr/>
Total current assets	\$ 3,982,471

Noncurrent Assets:

Notes receivable, net of current portion	\$ 3,239,334
Capital Assets (net of accumulated depreciation):	
Land	193,345
Industrial building	672,431
	<hr/>
Total capital assets	\$ 865,776
	<hr/>
Total noncurrent assets	\$ 4,105,110
	<hr/>
Total assets	\$ 8,087,581

LIABILITIES

Current Liabilities:

Accounts payable	\$ 17,804
Interest payable	35,634
Security deposit	6,750
Note payable, current portion	1,632,142
Bond payable, current portion	91,984
	<hr/>
Total current liabilities	\$ 1,784,314

Noncurrent Liabilities:

Notes payable, net of current portion	\$ 2,998,742
Bond payable, net of current portion	899,139
	<hr/>
Total noncurrent liabilities	\$ 3,897,881
	<hr/>
Total liabilities	\$ 5,682,195

NET POSITION

Investment in capital assets	\$ 865,776
Unrestricted	1,539,610
	<hr/>
Total net position	\$ 2,405,386

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

Exhibit 2

Industrial Development Authority of Pittsylvania County
 (A Component Unit of Pittsylvania County, Virginia)
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2020

Operating Revenues:	
Rent revenue	\$ 66,000
Contributions from Pittsylvania County	72,712
Other miscellaneous	1,775
	<hr/>
Total operating revenues	\$ 140,487
	<hr/>
Operating Expenses:	
Bank fees	\$ 209
Insurance	1,488
Professional services	12,625
Travel	1,104
Depreciation	17,828
	<hr/>
Total operating expenses	\$ 33,254
	<hr/>
Operating income (loss)	\$ 107,233
	<hr/>
Nonoperating Revenues (Expenses):	
Interest income	\$ 211,435
Interest expense	(253,169)
	<hr/>
Total nonoperating revenues (expenses)	\$ (41,734)
	<hr/>
Change in net position	\$ 65,499
	<hr/>
Net position, beginning of year as restated	\$ 2,339,887
	<hr/>
Net position, end of year	\$ 2,405,386
	<hr/> <hr/>

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

Industrial Development Authority of Pittsylvania County
(A Component Unit of Pittsylvania County, Virginia)
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash Flows from Operating Activities:	
Receipts from renters	\$ 66,000
Receipts from Pittsylvania County, Virginia	72,712
Receipts from others	1,775
Payments to suppliers	(32,245)
	<hr/>
Net cash provided by (used for) operating activities	\$ 108,242
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Principal payments on indebtedness	\$ (421,439)
Interest payments on indebtedness	(245,965)
Issuance of notes payable	204,089
Issuance of notes receivable	(204,089)
Principal payments received on notes receivable	488,708
Interest received	202,620
	<hr/>
Net cash provided by (used for) noncapital financing activities	\$ 23,924
	<hr/>
Increase (decrease) in cash and cash equivalents	\$ 132,166
	<hr/>
Cash and cash equivalents at beginning of year	777,293
	<hr/>
Cash and cash equivalents at end of year	\$ 909,459
	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 107,233
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	17,828
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	(5,599)
Increase (decrease) in accounts payable	(11,220)
	<hr/>
Net cash provided by (used for) operating activities	\$ 108,242
	<hr/> <hr/>
Supplemental disclosure required:	
Interest paid during the year on indebtedness	\$ 245,965
	<hr/>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements
June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

A. Financial Reporting Entity:

The Industrial Development Authority of Pittsylvania County, Virginia was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Pittsylvania County, Virginia on November 4, 1969, 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 Board of Supervisors of Pittsylvania County, Virginia. 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 Pittsylvania County, Virginia. The Authority is a component unit of Pittsylvania County, Virginia.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease or sale of the facilities constructed and may be secured by a deed of trust on those facilities.

B. Basis of Presentation:

The financial statements have been prepared in accordance with current reporting standards, which provides that the following sections be included in the annual financial report:

1. Management discussion and analysis (omitted)
2. Basic financial statements including a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows
3. Notes to financial statements

C. Basis of Accounting:

For financial reporting purposes, Industrial Development Authority of Pittsylvania County is considered a special-purpose government, engaged only in business-type activities. Accordingly, the Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

G. Capital Assets:

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

Property, plant and equipment are carried at cost. No depreciation is taken on industrial projects, which are held for the purpose of development and resale.

Property, plant, equipment, and leasehold improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	40

H. Pass-through Financing Leases and Installment Sales:

The principal activities of the Authority represent pass-through leases or installments sales. These agreements provided for periodic payments in amounts which are equal to the principal and interest payments due to project bond holders.

The Authority has assigned all rights to the payments to the trustees, agents or the holders of the bonds, and the lessees or purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority neither receives nor disburses funds.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

H. Pass-through Financing Leases and Installment Sales: (Continued)

Although title to these properties may rest with the Authority, bargain purchase options or other provisions eliminate any equity interest that would otherwise be retained in the lease transactions. Deeds of trust secure outstanding bond obligations and title will pass to the lessee or purchaser at such time as the bonds are fully paid.

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize assets, liabilities, rental income or interest expense in its financial statements.

I. Net Position:

The Statement of Net Position reports the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as net position.

The Authority's net position is classified as follows:

Net Investment in Capital Assets - This category represents the net value of capital assets (property, plant, and equipment less accumulated depreciation) reduced by the debt incurred to acquire or construct the asset, if any.

Restricted - This category includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted - Unrestricted net position represents resources derived from charges to customers for goods received, services rendered or privileges provided, operating grants and contributions, and capital grants and contributions. These resources are used for transactions relating to the operations of the Authority and may be used at the Authority's discretion to meet current expenses for any lawful purposes.

J. Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

K. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority does not have any deferred inflows or outflows of resources as of June 30, 2020.

NOTE 2—DEPOSITS AND INVESTMENTS:

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.

Statutes authorize local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The Authority did not have any investments as of June 30, 2020.

NOTE 3—INVENTORY: PROPERTY HELD FOR RESALE:

The Authority purchases land and develops it to promote industry in Pittsylvania County, Virginia. The Authority records this land at the lower of cost or market. The total recorded value as of June 30, 2020 was \$1,303,700.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 4—NOTES RECEIVABLE:

The Authority has multiple note receivable agreements with various companies in an effort to boost economic development in Pittsylvania County. Payments related to those agreements are due to the Authority as noted below:

Year Ending June 30,	Notes Receivable	
	Principal	Interest
2021	\$ 1,744,720	\$ 158,151
2022	2,890,469	124,452
2023	172,254	19,694
2024	99,237	17,243
2025	31,845	6,442
2026-2030	45,529	-
Totals	<u>\$ 4,984,054</u>	<u>\$ 325,982</u>

A lease agreement was entered into with Intertape Polymer Group, Inc., as of July 29, 2003, for the construction and permanent financing for a 200,000 square foot distribution facility that would be leased to Intertape Polymer Group. Terms of the lease agreement require Intertape Polymer Group to make payments to the Industrial Development Authority of Pittsylvania County that are sufficient to redeem and pay interest on the Industrial Development's corresponding note payable. As of June 30, 2020, the amount of principal due under this agreement totaled \$2,972,036.

A lease purchase agreement was entered into with Axxor N.A., LLC, as of September 30, 2011, for the construction and permanent financing for a facility that would be leased to Axxor N.A., LLC. Terms of the lease agreement require Axxor N.A., LLC to purchase the property on or before the lease's termination date at a price equal to the outstanding balance plus \$900,000. Axxor, N.A., LLC is making payments to the Industrial Development Authority of Pittsylvania County in the amount of \$20,000 for sixty months, consisting of principal and interest on the Industrial Development Authority's note dated September 29, 2017 and the remaining amount paid into a debt reserve fund towards the additional purchase price. As of June 30, 2020, the amount of principal due under this agreement totaled \$1,635,125.

The Authority purchased manufacturing equipment on behalf of Panacea Biomatx, Inc. which they need to produce their product. On April 19, 2018 the Authority entered into a manufacturing equipment lease with the Panacea Biomatx, Inc. (the "Company"). The Company is making payments of \$9,100 consisting of principal and interest on the Authority's note dated January 17, 2019 and the remaining amount paid into a debt reserve. As of June 30, 2020, the amount of principal due under this agreement is \$249,546.

The Authority also financed \$143,710 of required upfitting of the building that was purchased in which Panacea Biomatx, Inc. is leasing. The total cost of the upfit was \$310,194, of which Panacea Biomatx, Inc. funded \$166,484. Panacea Biomatx, Inc. is paying monthly payments of \$1,364 until the note is paid off. As of June 30, 2020, the balance of the note is \$127,347.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 5—OPERATING LEASES:

The Authority entered into a facility lease on July 10, 2018 with Panacea Biomax, Inc. (Tenant). The Tenant and Authority entered into a Local Performance Agreement under which the Tenant agreed to locate and establish a manufacturing operation in Pittsylvania County. The Authority obtained financing to purchase property and for upfitting of the building for the Tenant. The lease agreement provides for a monthly base rent of \$5,500 for 120 months.

NOTE 6—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the Authority for the year ended June 30, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Direct borrowings:				
Lease revenue bonds	\$ 1,079,198	\$ -	\$ (88,075)	\$ 991,123
Notes payable	4,760,159	204,089	(333,364)	4,630,884
Total	\$ 5,839,357	\$ 204,089	\$ (421,439)	\$ 5,622,007

Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	Direct Borrowings			
	Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 1,632,142	\$ 158,151	\$ 91,984	\$ 42,501
2022	2,777,891	124,452	96,067	38,418
2023	59,677	19,694	100,331	34,154
2024	62,128	17,243	104,784	29,700
2025	99,046	6,442	109,436	25,049
2026-2030	-	-	488,521	49,417
Totals	\$ 4,630,884	\$ 325,982	\$ 991,123	\$ 219,239

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 6—LONG-TERM OBLIGATIONS: (Continued)

Details of long-term indebtedness:

	Interest Rates	Issue Date	Installment Amounts	Final Maturity Date	Amount of Original Issue	Balance Outstanding	Amount Due Within One Year
Direct Borrowings							
Lease Revenue Bond - Panacea	4.39%	1/30/2018	\$67,242 (sa)**	2/1/2029	\$ 1,079,198	\$ 991,123	\$ 91,984
Notes Payable:							
Intertape Polymer Group	3.95%	6/1/2015	30,325 (m)*	6/1/2022	5,350,000	2,972,036	251,425
Axxor, Inc.	4.95%	9/29/2017	11,981 (m)*	10/1/2020	1,512,500	1,325,738	1,325,738
Panacea	4.05%	1/17/2019	6,614 (m)	11/17/2024	650,000	333,110	54,979
Total Direct Borrowings						<u>\$ 5,622,007</u>	<u>\$ 1,724,126</u>
Total Long-Term Obligations						<u>\$ 5,622,007</u>	<u>\$ 1,724,126</u>

(sa) - semi-annual installments, including interest as applicable

(m) - monthly installments, including interest as applicable

*installments also include an irregular final payment

**semi-annual payments include small change - amount noted is average payment

The direct borrowings above are all secured by a deed of trust and the land, buildings, and equipment of the corresponding companies.

NOTE 7—CONDUIT FINANCING:

On January 30, 2018, the Authority issued a \$1,803,802 tax-exempt bond bearing interest at 3.59% that matures on June 30, 2028. The bond proceeds were used for various projects for the benefit of Pittsylvania County, Virginia (the County). The County intends to repay this debt and has agreed to report the debt on their financial statements. Therefore, the impact of this issuance is not reported on the statement of net position of the Authority. The balance on this bond as of June 30, 2020 was \$1,492,628 as reported in the County's financial statements.

NOTE 8—CONTINGENT LIABILITIES:

Certain programs in which the Authority participates were audited in accordance with the applicable specifications. Pursuant to the provisions of current guidance certain programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, an awarding agency may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 9—CAPITAL ASSETS:

As of June 30, 2020, capital assets consist of the following:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 193,345	\$ -	\$ -	\$ 193,345
Capital assets, being depreciated:				
Buildings and improvements	\$ 713,118	\$ -	\$ -	\$ 713,118
Accumulated depreciation:				
Buildings and improvements	\$ (22,859)	\$ (17,828)	\$ -	\$ (40,687)
Total capital assets being depreciated, net	\$ 690,259	\$ (17,828)	\$ -	\$ 672,431
Business-type activities capital assets, net	\$ 883,604	\$ (17,828)	\$ -	\$ 865,776

NOTE 10—LITIGATION:

As of June 30, 2020, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decisions on pending matters not be favorable.

NOTE 11—RESTATEMENT:

During fiscal year 2020, the Authority changed its fiscal year end from December 31 to June 30. As such, beginning balances as of July 1, 2019 were as follows:

	Restated Balances July 1, 2019
Cash and cash equivalents	\$ 777,293
Prepaid items	1,488
Inventory	1,303,700
Land	193,345
Capital assets, net of accum. dep.	690,259
Notes receivable	5,268,673
Interest receivable	8,690
Accounts payable	(29,024)
Security deposits	(6,750)
Notes and bonds payable	(5,839,357)
Interest payable	(28,430)
Total	\$ 2,339,887

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 12—ADOPTION OF ACCOUNTING PRINCIPLES:

The Authority implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2020. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

NOTE 13—SUBSEQUENT EVENTS:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The Authority is unable to estimate the impact of the pandemic for fiscal year 2021.

In September 2020, the Authority completed the sale of the Axxor N.A., LLC building to Axxor N.A., LLC with a sale price of \$900,000 plus the note payable on the upfit of the building in the amount of \$1,340,046. The \$900,000 sale price was reduced by a reserve account funded by payments from Axxor N.A. and maintained by the Authority which had been treated as a reduction in the note receivable in these financial statements which had a balance of \$587,373 at year-end. As of June 30, 2020, the Authority had recorded a note receivable related to this transaction in the amount of \$1,635,125 and a note payable related to the upfit of \$1,325,738.

NOTE 14—UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 91, *Conduit Debt Obligations*, 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF PITTSYLVANIA COUNTY
(A Component Unit of Pittsylvania County, Virginia)
Notes to Financial Statements (Continued)
June 30, 2020

NOTE 14—UPCOMING PRONOUNCEMENTS: (Continued)

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**Independent Auditors' 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
Industrial Development Authority of Pittsylvania County
Chatham, Virginia**

We have audited, in accordance with the 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 business-type activities of Industrial Development Authority of Pittsylvania County, a component unit of Pittsylvania County, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Pittsylvania County's basic financial statements and have issued our report thereon dated October 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Pittsylvania County'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 Industrial Development Authority of Pittsylvania County's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Pittsylvania County'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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Authority of Pittsylvania County'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 or other matters 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Robinson, Famer, Cox Associates". The script is cursive and fluid.

Blacksburg, Virginia
October 6, 2020