

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

FINANCIAL REPORT

June 30, 2024

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

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INTRODUCTORY SECTION

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2024**

DIRECTORS

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

OFFICIALS

Joy Jones.....Finance Administrative Assistant
Corrie Bobe Economic Development Director
Ken Larking..... City Manager
Kim Custer.....Economic Development Project Manager
W. Clarke Whitfield, Jr..... City Attorney
Michael L. AdkinsCity Chief Financial Officer

INDEPENDENT AUDITORS

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

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the 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, 2024, 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, 2024, and the respective changes in financial position and, where applicable, 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.

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 the 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 the Audit of the Financial Statements (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and supplementary schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions 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.

Report on Summarized Comparative Information

We have previously audited the Authority's 2023 financial statements, on which, in our report dated December 13, 2023, we expressed an unmodified opinion. The 2023 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 December 12, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 12, 2024

BASIC FINANCIAL STATEMENTS

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**STATEMENT OF NET POSITION
June 30, 2024**

	<u>2024</u>	<u>(For Comparative Purposes Only) 2023</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,692,881	\$ 4,638,390
Accounts receivable	32,720	9,387
Current lease and interest receivable (Note 7)	925,044	720,646
Notes and interest receivable, current portion (Note 3)	2,742,380	2,857,180
Due from other governments, current portion (Note 4)	2,442,549	1,410,543
Prepaid expenses	5,781	-
Total current assets	<u>13,841,355</u>	<u>9,636,146</u>
NONCURRENT ASSETS		
Notes receivable, net (Note 3)	187,956	175,329
Cash and cash equivalents, restricted (Note 2)	1,627,722	6,779,326
Due from other governments, net of current portion (Note 4)	11,820,000	12,408,000
Long-term lease receivable (Note 7)	6,661,674	6,943,142
Capital assets (Note 5)		
Nondepreciable	26,678,397	13,509,943
Depreciable, net	21,913,285	20,729,814
Property held for sale	1,292,430	1,292,430
Total noncurrent assets	<u>70,181,464</u>	<u>61,837,984</u>
Total assets	<u>84,022,819</u>	<u>71,474,130</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	6,848,554	2,449,677
Security deposits	97,956	116,823
Unearned revenues	2,922	8,679
Accrued interest	48,716	25,504
Current portion of noncurrent liabilities (Note 6)	2,786,062	2,103,542
Total current liabilities	<u>9,784,210</u>	<u>4,704,225</u>
NONCURRENT LIABILITIES		
Revolving loan fund – USDA (Note 1)	99,000	99,000
Due in more than one year (Note 6)	28,887,173	21,773,689
Total noncurrent liabilities	<u>28,986,173</u>	<u>21,872,689</u>
Total liabilities	<u>38,770,383</u>	<u>26,576,914</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to leases	7,016,489	7,221,497
NET POSITION		
Net investment in capital assets	12,786,606	15,354,617
Restricted (Note 8)	3,000,000	3,000,000
Unrestricted	22,449,341	19,321,102
Total net position	<u>\$ 38,235,947</u>	<u>\$ 37,675,719</u>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2024**

	<u>2024</u>	<u>(For Comparative Purposes Only) 2023</u>
OPERATING REVENUES		
Lease revenue (Note 7)	\$ 1,250,731	\$ 1,227,565
Economic development incentives – City of Danville	4,338,539	4,896,599
Tax credit program fees – New Market Credits (Note 1)	21,875	242,500
Interest income from notes receivable	113,242	116,454
	<u>5,724,387</u>	<u>6,483,118</u>
OPERATING EXPENSES		
Economic development contributions and incentives (Note 11)	1,219,510	1,232,324
Return of incentive grant to City of Danville	5,035,000	2,650,000
Bad debt expense (recovery)	(61,539)	26,848
Professional services	752,792	1,075,121
Repairs and maintenance	160,522	118,405
Insurance and other	352,132	479,682
Depreciation	686,708	658,298
	<u>8,145,125</u>	<u>6,240,678</u>
Total operating expenses	<u>8,145,125</u>	<u>6,240,678</u>
Operating income (loss)	<u>(2,420,738)</u>	<u>242,440</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	140,588	71,315
Interest expense	(1,018,766)	(599,909)
Loan fees and debt issuance costs	(15,637)	(179,249)
Contributions from City of Danville – land	13,800	47,700
Incentive grant	3,617,239	263,667
Gain (loss) on sale of property	(102,557)	19,204
Gain on lease disposition	250,881	-
Reimbursed expenses	95,418	-
	<u>2,980,966</u>	<u>(377,272)</u>
Total net nonoperating revenue (expenses)	<u>2,980,966</u>	<u>(377,272)</u>
Change in net position	560,228	(134,832)
NET POSITION		
Beginning	<u>37,675,719</u>	<u>37,810,551</u>
Ending	<u>\$ 38,235,947</u>	<u>\$ 37,675,719</u>

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, 2024**

	2024	(For Comparative Purposes Only) 2023
	2024	2023
OPERATING ACTIVITIES		
Receipts from lessees	\$ 1,476,988	\$ 1,230,706
Receipts from City for economic development	4,338,539	4,896,599
Return of incentive funds to City	(5,035,000)	(2,650,000)
Receipts from notes receivable	276,954	204,196
Other receipts	(33,978)	283,500
Payments to economic incentive grant recipients	(1,219,510)	(1,232,324)
Payments to suppliers	(823,971)	(1,204,595)
	(1,019,978)	1,528,082
CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	3,617,239	-
Proceeds from the sale of capital assets	-	231,598
Proceeds from issuance of debt	9,710,909	3,392,492
Repayment of debt	(1,914,905)	(1,063,869)
Payments for the purchase and construction of capital assets	(11,175,769)	(6,393,921)
Debt issuance costs	(15,637)	(179,249)
Interest paid on debt	(995,554)	(593,731)
	(773,717)	(4,606,680)
NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
(Payments to) contributions from City, net	(444,006)	35,730
	(444,006)	35,730
INVESTING ACTIVITIES		
Interest received	140,588	71,315
	140,588	71,315
Net cash provided by investing activities	140,588	71,315
	140,588	71,315
Net decrease in cash and cash equivalents	(2,097,113)	(2,971,553)
	(2,097,113)	(2,971,553)
CASH AND CASH EQUIVALENTS		
Beginning of year	11,417,716	14,389,269
	\$ 9,320,603	\$ 11,417,716

(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, 2024**

	<u>2024</u>	<u>(For Comparative Purposes Only) 2023</u>
RECONCILIATION TO EXHIBIT 1		
Cash and cash equivalents	\$ 7,692,881	\$ 4,638,390
Cash and cash equivalents, restricted	1,627,722	6,779,326
	<u>\$ 9,320,603</u>	<u>\$ 11,417,716</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (2,420,738)	\$ 242,440
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	686,708	658,298
Other income	346,299	263,667
Change in		
Accounts receivable	(23,333)	(13,177)
Leases receivable	77,070	431,092
Prepaid expenses	(5,781)	-
Accounts payable and accrued expenses	447,256	468,613
Security deposits	(18,867)	8,907
Unearned revenues	(5,757)	(5,766)
Deferred inflows related to leases	(205,008)	(640,582)
Notes receivable	102,173	114,590
	<u>\$ (1,019,978)</u>	<u>\$ 1,528,082</u>
Net cash provided by (used in) operating activities		
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital asset additions included in accounts payable	<u>\$ 5,680,631</u>	<u>\$ 1,729,010</u>
Capital asset contribution received by IDA	<u>\$ 13,800</u>	<u>\$ 47,700</u>

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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 classified as such 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)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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 2024.

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.

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.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2024 and will continue year to year thereafter until terminated. Such fees totaled \$21,875 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.

Leases

Key estimates and judgments 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 leases.
- 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.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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 2024.

Unspent bond proceeds for economic development projects	\$ 1,548,790
USDA revolving small business loan funds	<u>78,932</u>
Total restricted cash	<u><u>\$ 1,627,722</u></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, the State Treasurer’s Local Government Investment Pool (LGIP), and the State Treasurer’s Non-Arbitrage Program (SNAP). As of June 30, 2024, 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 \$2,742,380 as of June 30, 2024, 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 2025. 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, 2024, \$26,393 was recorded as an allowance. Management evaluates the performance and payment history of companies annually in determining the required allowance.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 3. Notes Receivable (Continued)

Notes receivable consist of the following:

2011 Incentive agreement loan	\$ 150,000
Special project revolving loan	2,742,380
Other loans receivable	<u>64,349</u>
	2,956,729
Less allowance for doubtful accounts	<u>(26,393)</u>
Total notes receivable	2,930,336
Less current portion	<u>(2,742,380)</u>
Total notes receivable, long-term	<u><u>\$ 187,956</u></u>

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, 2024, the Authority has not recorded this note.

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. At June 30, 2024, the outstanding balance was \$2,408,000.

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 \$621,121 receivable from the City for property maintenance at June 30, 2024.

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, 2024, the IDA has a \$7,801 receivable from the IDA of Pittsylvania County.

In December 2023, the IDA obtained an Industrial Revitalization Fund reimbursement grant from the Virginia Department of Housing and Community Development in the amount of \$5,000,000 for the renovation and construction of the White Mill building and surrounding area. At June 30, 2024, the IDA has a \$1,225,627 receivable from the State of Virginia.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 4. Due From Other Governments (Continued)

These amounts are due in the following installments:

<u>Year Ending June 30,</u>	<u>Due From Other Governments To IDA</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,442,549	\$ 197,689
2026	10,597,000	175,223
2027	606,000	15,965
2028	617,000	4,597
	<u>\$ 14,262,549</u>	<u>\$ 393,474</u>

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:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 4,678,309	\$ 13,800	\$ (128,547)	\$ 4,563,562
Construction in progress	8,831,634	14,481,150	(1,197,949)	22,114,835
Total capital assets, not depreciated	<u>13,509,943</u>	<u>14,494,950</u>	<u>(1,326,496)</u>	<u>26,678,397</u>
Capital assets, being depreciated:				
Buildings	26,111,958	1,870,179	-	27,982,137
Equipment	75,000	-	-	75,000
Total capital assets being depreciated, net	<u>26,186,958</u>	<u>1,870,179</u>	<u>-</u>	<u>28,057,137</u>
Less accumulated depreciation	<u>(5,457,144)</u>	<u>(686,708)</u>	<u>-</u>	<u>(6,143,852)</u>
Total capital assets being depreciated, net	<u>20,729,814</u>	<u>1,183,471</u>	<u>-</u>	<u>21,913,285</u>
Total capital assets, net	<u>\$ 34,239,757</u>	<u>\$ 15,678,421</u>	<u>\$ (1,326,496)</u>	<u>\$ 48,591,682</u>

Of the properties above, approximately \$4,215,078 of the net book value was invested in properties which are not currently under lease, but are available for lease or sale; and \$1,333,119 is property which is under a purchase option.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

**NOTES TO FINANCIAL STATEMENTS
June 30, 2024**

Note 6. Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes from direct borrowings	\$ 7,990,339	\$ 9,348,995	\$ (462,867)	\$ 16,876,467	\$ 2,014,402
Revenue bonds	2,898,892	361,914	(872,038)	2,388,768	183,660
Bonds payable	12,988,000	-	(580,000)	12,408,000	588,000
	<u>\$ 23,877,231</u>	<u>\$ 9,710,909</u>	<u>\$ (1,914,905)</u>	<u>\$ 31,673,235</u>	<u>\$ 2,786,062</u>

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

<u>Fiscal Year</u>	<u>Bonds Payable</u>			<u>Notes from Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 588,000	\$ 197,689	\$ 785,689	\$ 2,014,402	\$ 331,033	\$ 2,345,435
2026	10,597,000	175,223	10,772,223	1,116,304	244,398	1,360,702
2027	606,000	15,965	621,965	999,287	770,407	1,769,694
2028	617,000	4,597	621,597	625,056	720,308	1,345,364
2029	-	-	-	659,234	686,130	1,345,364
2030-2034	-	-	-	11,462,184	1,529,272	12,991,456
	<u>\$ 12,408,000</u>	<u>\$ 393,474</u>	<u>\$ 12,801,474</u>	<u>\$ 16,876,467</u>	<u>\$ 4,281,548</u>	<u>\$ 21,158,015</u>

The Revenue Bonds listed below are currently being drawn and as such are not included in the table above.

Details of long-term indebtedness are as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
<u>Notes from Direct Borrowings:</u>					
American National Bank & Trust Company	Jan 2011	Mar 2027	\$ 2,700,000	4.00%	\$ 1,430,288
American National Bank & Trust Company	May 2013	April 2034	1,100,000	4.75	541,039
American National Bank & Trust Company	Sept 2013	Aug 2033	1,500,000	4.50	932,957
American National Bank & Trust Company	June 2021	June 2026	880,000	4.25	705,869
American National Bank & Trust Company	June 2021	June 2026	500,000	4.25	131,242
American National Bank & Trust Company	Oct 2019	June 2025	967,250	4.25	850,304
American National Bank & Trust Company	Dec 2020	Jan 2026	1,328,000	4.50	683,734
American National Bank & Trust Company	April 2021	April 2031	524,000	2.00	476,832
					<u>5,752,265</u>

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 6. Long-Term Liabilities (Continued)

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Virginia Small Business Financing Authority	Oct 2023	Oct 2033	1,344,637	5.50	\$ 1,319,467
Virginia Small Business Financing Authority	Dec 2023	Dec 2033	984,000	5.50	63,992
First National Bank	June 2023	June 2027	493,600	4.49	478,165
Atlantic Union Bank	Dec 2022	Dec 2030	21,000,000	6.25	9,262,578
					<u>11,124,202</u>
					<u>\$ 16,876,467</u>
<u>General Obligation Bonds:</u>					
Taxable Revenue Bonds, Series 2021B	May 2021	Dec 2027	\$ 4,184,000	1.49%	\$ 2,408,000
Taxable Revenue Bonds, Series 2021A	May 2021	June 2026	10,000,000	1.64	10,000,000
					<u>\$ 12,408,000</u>
<u>Revenue Bonds:</u>					
VCC Bank Series 2023	Jan 2023	Jan 2034	\$ 1,437,500	4.25%	\$ 976,001
VCC Bank Series 2023	Jan 2023	Jan 2034	3,325,000	5.00	1,412,767
					<u>\$ 2,388,768</u>

Bank notes payable are generally collateralized by real property.

In 2024, the Authority refinanced one loan and closed on two new construction project direct borrowings.

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, 2024 was \$1,250,731. As of June 30, 2024, the Authority's lease receivable, including interest, for these payments total \$7,586,718.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 7. Leases (Continued)

Authority as lessor (Continued)

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

<u>Fiscal Year</u>	
2025	\$ 897,411
2026	899,472
2027	767,956
2028	640,516
2029	572,076
Thereafter	<u>3,781,654</u>
	7,559,085
Less current portion	<u>(897,411)</u>
Long-term leases receivable	<u><u>\$ 6,661,674</u></u>

Note 8. Net Position

Restricted net position at June 30, 2024 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.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Commitments and Contingencies (Continued)

Federal programs in which the Authority participates were audited in accordance with provisions of the *Uniform Guidance*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of material noncompliance were disclosed by audit, the Federal government 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.

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, 2024, there was a single Revenue Bond outstanding, with a principal amount payable of \$13,280,000.

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 \$1,573,000 in new grants, paid \$843,000 in such grant funds for awards, and owed \$35,000 at fiscal year-end 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 \$3,161,500 and will be funded by the City through the Authority.

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 fiscal year 2023, the Authority, the City, and the Commonwealth of Virginia entered into a performance agreement with Culture Restaurant & Grill for creating four new full-time and six part-time positions within the Central Business District of Danville, Virginia.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Incentive Grants (Continued)

In fiscal year 2024, the Authority, the City and the Commonwealth of Virginia entered into a performance agreement with 501 Craghead LLC for redeveloping a building into market rate apartments 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.

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
River District Golf & Social LLC	75,000
Kegerreis Digital Marketing LLC	20,000
Old 97 Tavern & Arcade LLC	20,000
Craghead LLC	475,000
Enterprise zone	24,068
Other miscellaneous incentive grants	<u>330,442</u>
	<u>\$ 1,219,510</u>

Note 12. Subsequent Events

The Authority transferred land at Stinson Drive to the City of Danville on July 2, 2024.

The Authority transferred parcel 54603 on Creekside Drive and parcel 78267 on Lockett Drive to the Danville Redevelopment & Housing Authority on October 1, 2024.

The Authority signed a contract with Blair Construction on October 8, 2024 for \$1,389,000 to perform interior upfits to 1350 Barker Road, Ringgold, Virginia.

The Authority signed a contract with Crews Construction & Asphalt Pacing Company on November 14, 2024 for \$63,000 to perform resurface paving at 816 Monument Street, Danville, Virginia.

The Authority signed a contract with Gates Flag and Banner on November 14, 2024 for \$45,937 to replace 13 flag poles and flags on Bridge Street, Danville, Virginia.

(Continued)

INDUSTRIAL DEVELOPMENT AUTHORITY OF DANVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 12. Subsequent Events (Continued)

The Authority signed a contract with Solex Architecture on November 14, 2024 for \$55,000 for architecture, engineering, historic tax credit application, and development services at 620 and 622 North Main Street, Danville, Virginia.

The Authority signed a contract with Hurt & Proffitt, Incorporated on November 14, 2024 for \$177,000 for engineering design and permitting services at parcel 78170 on Gypsum Road, Danville, Virginia.

Note 13. New Accounting Standards

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.

In December 2023, the GASB issued **Statement No. 102**, Certain Risk Disclosures. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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

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SUPPLEMENTARY SCHEDULE

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**SCHEDULE OF BONDS OUTSTANDING – CONDUIT DEBT
(Unaudited)
June 30, 2024**

<u>Type of Issue</u>	<u>Date Issued</u>	<u>Amount of Bonds Issued</u>	<u>Bonds Outstanding June 30, 2024</u>	<u>Bonds Outstanding June 30, 2023</u>	<u>Project Financed</u>
Revenue Bond	Dec 17, 2017	\$ 15,035,000	\$ 13,280,000	\$ 13,580,000	Averett University Capital Projects and debt repayment

COMPLIANCE SECTION

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 Honorable Members of the 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, 2024, and the related notes to the financial statements, which comprise the Authority’s basic financial statements, and have issued our report thereon dated December 12, 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 opinion 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 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 questioned costs, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs, as item 2024-002.**

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 questioned costs. 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 12, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Directors
Industrial Development Authority of Danville
Danville, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Program

We have audited the Industrial Development Authority of Danville's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2024. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Industrial Development Authority of Danville, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Program

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the Authority's compliance with the compliance requirements referred to above.

Report on Compliance for Each Major Federal Program (Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on each major federal program is not modified with respect to these matters.

Report on Compliance for Each Major Federal Program (Continued)

Other Matters (Continued)

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
December 12, 2024

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**SUMMARY OF COMPLIANCE MATTERS
June 30, 2024**

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

Uniform Disposition of Unclaimed Property Act

LOCAL COMPLIANCE

Authority By-Laws

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2024**

A. SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness and no significant deficiencies** relating to the audit of the financial statements were reported 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No material weaknesses and no significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding relating to the major programs**.
7. The program tested as major was:

Name of Program	Assistance Listing Number
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Authority was **not** determined to be a **low-risk auditee**.

B. FINDINGS – 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.

Criteria:

Segregation of duties should be maintained for financial transactions or series of transactions.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2024**

B. FINDING – FINANCIAL STATEMENT AUDIT (Continued)

2014-001: Segregation of Duties (Material Weakness) (Continued)

Cause:

The Authority has limited staff and is unable to adequately separate duties.

Effect:

The lack of adequate separation of duties results in creating the opportunity of the Authority to inappropriately process and record transactions.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

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

C. FINDINGS – COMMONWEALTH OF VIRGINIA

2024-002: Commonwealth of Virginia Disclosure Statements

Condition:

One Industrial Development Authority board member filed a statement of economic interest as required by the *Code of Virginia* after the February 1, 2024 deadline.

Recommendation:

Steps should be taken to ensure that these statements are filed and in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

The auditee concurs with the recommendation.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2024-003: Coronavirus State and Local Fiscal Recovery Fund – ALN #21.027, Reporting

Condition:

The Authority did not file the required quarterly reports by the due date.

(Continued)

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2024**

**D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)**

2024-003: Coronavirus State and Local Fiscal Recovery Fund – ALN #21.027, Reporting (Continued)

Criteria:

Under the requirements in the contract with the pass-through entity, the Authority is required to provide quarterly progress reports.

Cause:

The Authority does not have a process in place to ensure reports are timely filed.

Effect:

The lack of timely reports results in the Authority being out of compliance with reporting requirements of the pass-through entity.

Recommendation:

Steps should be taken to ensure that these reports are filed and in a timely manner.

Views of Responsible Officials and Planned Corrective Action:

The auditee concurs with the recommendation.

**INDUSTRIAL DEVELOPMENT AUTHORITY
OF DANVILLE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024**

<u>Federal Grantor/Pass - Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Amounts Passed Thru to Sub-recipients</u>	<u>Cluster Amounts</u>	<u>Federal Expenditures</u>
Department of the Treasury: Pass Through Payments: Virginia Department of Housing and Community Development COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A			\$ 3,542,239
Total Department of Treasury					<u>3,542,239</u>
Total Expenditures of Federal Awards					<u>\$ 3,542,239</u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of federal expenditures includes the activity of all federally assisted programs of the Industrial Development Authority of Danville, Virginia and is presented on the accrual basis of accounting, as described in Note 1 to the IDA's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

NOTE 2 - DE MINIMIS INDIRECT COST RATE:

The entity **did not elect** to use the 10% de minimis indirect cost rate.

NOTE 3 - FEDERAL EXPENDITURES:

The total federal expenditures above includes \$931,378 from the prior year. The funds from Virginia Department of Housing and Community Development were awarded late and the Industrial Development Authority retroactively requested reimbursement for expenditures that occurred in fiscal year 2023.

NOTE 4 - OUTSTANDING BALANCES

At June 30, 2024, the Industrial Development Authority had no outstanding loan balances requiring continuing disclosure.

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