

**Economic Development Authority
of James City County, Virginia**

(A Component Unit of the County of James City, Virginia)



Financial Statements and Supplemental Information
(With Independent Auditor's Report Thereon)

June 30, 2021 and 2020

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Table of Contents

	Page
 <i>Introductory Section</i>	
Authority Officials	i
 <i>Financial Section</i>	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16
 <i>Compliance Section</i>	
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 <i>Government Auditing Standards</i>	17 - 18
Summary of Compliance Matters	19
Schedule of Findings and Responses	20
 <i>Other Information</i>	
Schedules of Revenue Bonds Outstanding - Conduit Debt (Unaudited)	21

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Authority Officials

June 30, 2021

Board Members

Vince Campana III, Chair

Lynn Meredith, Vice Chair

Brandon Nice

Joseph Stanko

Carlton Stockton

William Turner

Other Officials

P. Sue Sadler, Board of Supervisor Liaison

Christopher Johnson, Secretary

Jennifer Tomes, Treasurer

Adam Kinsman, Legal Counsel



INDEPENDENT AUDITOR'S REPORT

To the Members of
Economic Development Authority of James City County, Virginia
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Economic Development Authority of James City County, Virginia as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents. These financial statements are the responsibility of the Economic Development Authority of James City County, Virginia's management.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Authority of James City County, Virginia as of June 30, 2021 and 2020, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedules of Revenue Bonds Outstanding - Conduit Debt on page 21 have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2021, on our consideration of the Economic Development Authority of James City County, Virginia'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 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 Economic Development Authority of James City County, Virginia's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 6, 2021

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2021 and 2020

This section of the **Economic Development Authority of James City County, Virginia's** (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2021 and 2020.

Financial Highlights

The Authority had a decrease in net position of (\$167,797) for fiscal year 2021, primarily as a result of a loss related to writing off a capital asset. For fiscal year 2020, the Authority had a decrease in net position of (\$92,187), primarily as a result of the loss on the sale of a parcel of land owned by the Authority.

Overview of the Financial Statements

The financial section of this report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements. The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and Management's Discussion and Analysis.

The Authority is a self-supporting entity and follows enterprise fund accounting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority.

Financial Analysis

Summary of Statements of Net Position			
	6/30/2021	6/30/2020	6/30/2019
Current and other assets	\$ 659,090	\$ 688,238	\$ 425,505
Capital assets, net of accumulated depreciation	1,362,288	1,554,276	1,906,816
Total assets	\$ 2,021,378	\$ 2,242,514	\$ 2,332,321
Current liabilities	\$ -	\$ 53,339	\$ 50,959
Net position			
Net investment in capital assets	1,362,288	1,554,276	1,906,816
Unrestricted	659,090	634,899	374,546
Total net position	2,021,378	2,189,175	2,281,362
Total liabilities and net position	\$ 2,021,378	\$ 2,242,514	\$ 2,332,321

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2021 and 2020

Total assets experienced decreases of (\$221,136) and (\$89,807) at June 30, 2021 and 2020, respectively. For fiscal year 2021, the decrease was primarily due to writing off previously capitalized construction in progress costs. For fiscal year 2020, the decrease was primarily due to the Authority selling a parcel of land at a loss.

Current liabilities experienced a decrease of (\$53,339) in fiscal year 2021 due to the payment of performance-based agreements and enterprise zone grants prior to year-end. Current liabilities experienced an increase of \$2,380 in fiscal year 2020, primarily as a result of an increase in payables at the end of the fiscal year related to the enterprise zone grant program.

At June 30, 2021 and 2020, assets exceeded liabilities by \$2,021,378 and \$2,189,175, respectively.

Summary of Statements of Revenues, Expenses and Changes in Net Position for the Year Ended			
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	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Intergovernmental - County contribution	\$ 49,767	\$ 5,223	\$ 79,427
Other operating revenues	103,087	121,817	97,807
Total operating revenues	<u>152,854</u>	<u>127,040</u>	<u>177,234</u>
Community development & Launchpad	93,636	52,730	127,361
Other expenses	64,416	57,567	85,284
Total operating expenses	<u>158,052</u>	<u>110,297</u>	<u>212,645</u>
Operating income (loss)	<u>(5,198)</u>	<u>16,743</u>	<u>(35,411)</u>
Net nonoperating revenues (expenses)	<u>(162,599)</u>	<u>(108,930)</u>	<u>3,070</u>
Change in net position	<u>(167,797)</u>	<u>(92,187)</u>	<u>(32,341)</u>
Net position - beginning of year	<u>2,189,175</u>	<u>2,281,362</u>	<u>2,313,703</u>
Net position - end of year	<u>\$ 2,021,378</u>	<u>\$ 2,189,175</u>	<u>\$ 2,281,362</u>

Revenues represent the County's contribution to the Authority and other operating revenues from bond fees and lease income from the Mainland Farm and marina property. In fiscal year 2021, the County contribution increased by \$44,544 as a result of an increase in payments for performance based agreements made by the Authority for which the County provides funding. In fiscal year 2020, the County contribution decreased by (\$74,204), primarily as a result of a reduction in payments for performance based agreements mentioned previously. In 2021, other operating revenues decreased by (\$18,730) primarily as a result of a decrease in lease income. In 2020, other operating revenues increased by \$24,010 primarily attributable to the incremental increase in lease income.

Community development and Launchpad consists primarily of contributions toward local business efforts, grants awarded to local businesses for exceeding certain investment figures, performance agreements, and costs associated with Launchpad, while other expenses include costs such as advertising and professional fees. Community development and Launchpad expenses reflect an increase of 77.6% for fiscal year 2021, mainly because of an increase in payments related to performance based agreements. Community development and Launchpad expenses reflect a decrease of (58.6%) for fiscal year 2020, mainly because of reduced payments related to the James River Commerce Center and performance based agreements.

For fiscal year 2021, other expenses increased by \$6,849 primarily due to an increase in promotion costs. For fiscal year 2020, other expenses decreased by (\$27,717) primarily due to a reduction in promotion costs related to the cancellation of a major local event.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2021 and 2020

Net nonoperating revenues (expenses) consist of interest income, loss on the disposal of capital assets, and capital contributions. The decrease of (\$53,669) in 2021 was primarily due to writing off previously capitalized construction in progress costs. The decrease of (\$112,000) in 2020 was primarily due to the loss on the sale of a parcel of land.

Total net position decreased by (\$167,797) and (\$92,187) in 2021 and 2020, respectively. The decrease in 2021 primarily resulted from writing off previously capitalized construction in progress costs in the fiscal year. The decrease in 2020 primarily resulted from the loss on the sale of a parcel of land.

Capital Assets			
	6/30/2021	6/30/2020	6/30/2019
Nondepreciable	\$ 744,995	\$ 911,505	\$ 1,238,661
Depreciable	617,293	642,771	668,155
Capital assets, net	\$ 1,362,288	\$ 1,554,276	\$ 1,906,816

During fiscal year 2021, net capital assets decreased primarily as a result of writing off previously capitalized construction in progress costs. In fiscal year 2020, net capital assets decreased primarily as a result of the sale of property owned by the Authority.

Additional information can be found in Note 6 to the basic financial statements.

Debt Administration

The Authority has issued Economic Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. It should be noted this represents conduit debt and although conduit debt obligations bear the name of the governmental issuer, which is the Authority, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. Additional information can be found in the Other Information section on the Schedules of Revenue Bonds Outstanding – Conduit Debt (Unaudited).

Requests for Financial Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

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Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Statements of Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>
Assets		
Current assets		
Cash and short-term investments (Note 2)	\$ 545,407	\$ 584,397
Due from James City County (Note 4)	49,767	53,339
Rent receivable (Note 8)	40,396	26,531
Bond fee receivable	2,882	2,973
Accounts receivable	-	360
Total current assets	<u>638,452</u>	<u>667,600</u>
Notes receivable, net allowance (Note 5)	<u>20,638</u>	<u>20,638</u>
Capital assets (Note 6)		
Nondepreciable	744,995	911,505
Depreciable, net	<u>617,293</u>	<u>642,771</u>
Capital assets, net	<u>1,362,288</u>	<u>1,554,276</u>
Total assets	<u>\$ 2,021,378</u>	<u>\$ 2,242,514</u>
Liabilities and Net Position		
Current liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ 53,339</u>
Net position		
Net investment in capital assets	1,362,288	1,554,276
Unrestricted	<u>659,090</u>	<u>634,899</u>
Total net position	<u>2,021,378</u>	<u>2,189,175</u>
Total liabilities and net position	<u>\$ 2,021,378</u>	<u>\$ 2,242,514</u>

See accompanying notes to financial statements.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended	
	6/30/2021	6/30/2020
Operating revenues		
Lease income (Notes 7 and 8)	\$ 85,798	\$ 104,601
Intergovernmental - County contribution (Note 4)	49,767	5,223
Bond fees	17,289	17,216
Total operating revenues	<u>152,854</u>	<u>127,040</u>
Operating expenses		
Community development & Launchpad	93,636	52,730
Depreciation	25,478	25,384
Promotion	22,207	10,221
Professional fees	16,581	16,638
Other	150	19
Rent abatement	-	5,305
Total operating expenses	<u>158,052</u>	<u>110,297</u>
Operating income (loss)	<u>(5,198)</u>	<u>16,743</u>
Nonoperating revenue (expenses)		
Interest income	3,911	4,219
Loss on disposal of capital assets	(166,510)	(113,149)
Total nonoperating (expenses) revenue, net	<u>(162,599)</u>	<u>(108,930)</u>
Change in net position	(167,797)	(92,187)
Net position, beginning of year	<u>2,189,175</u>	<u>2,281,362</u>
Net position, end of year	<u>\$ 2,021,378</u>	<u>\$ 2,189,175</u>

See accompanying notes to financial statements.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Statements of Cash Flows

	Years Ended	
	6/30/201	6/30/2020
Cash flows from operating activities		
Receipts from County and customers	\$ 143,012	\$ 107,664
Payments to suppliers	(185,913)	(82,533)
Net cash provided by (used in) operating activities	(42,901)	25,131
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	-	214,007
Cash flows from investing activities		
Interest received	3,911	4,219
Net increase (decrease) in cash	(38,990)	243,357
Cash and short-term investments, beginning of year	584,397	341,040
Cash and short-term investments, end of year	\$ 545,407	\$ 584,397
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (5,198)	\$ 16,743
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:		
Depreciation	25,478	25,384
Changes in assets and liabilities:		
Due from James City County	3,572	(5,223)
Rent receivable	(13,865)	(26,531)
Bond fee receivable	91	230
Accounts receivable	360	7,786
Notes receivable	-	4,362
Accounts payable	(53,339)	2,380
Net cash provided by (used in) operating activities	\$ (42,901)	\$ 25,131

See accompanying notes to financial statements.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

1) Summary of Significant Accounting Policies

The Economic Development Authority of James City County, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of James City County (County) on July 9, 1979, pursuant to the provisions of the Economic 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 a seven-member board appointed by the Board of Supervisors of James City County, Virginia. The essential purpose of the Authority is to promote industrial and commercial development in the County.

The Reporting Entity

The Authority has been determined to be a component unit of the County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Component units are legally separate entities for which a primary government is financially accountable. The County is financially accountable given the significance of the Authority's fiscal dependence on and financial relationship with the County. As a result of the County's financial accountability for the Authority, the information included in these financial statements is included in the financial statements of the County.

Implementation of these reporting requirements in no way infringes upon the independence of the Authority nor otherwise impairs the Authority's power to perform its functions under state law.

Basis of Accounting and Presentation

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting as an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the Authority's ongoing operations. Operating revenues include revenue from the County, bond fees, and lease income. Operating expenses include the costs related to promoting and developing the County and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Authority generally first uses restricted net position for expenses incurred for which both restricted and unrestricted net position are available. The Authority may defer the use of restricted net position based on a review of the specific transaction.

Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. The Authority considers all certificates of deposits, regardless of their maturity, and other investments with original maturities of three months or less to be cash equivalents.

Capital Assets

The Authority's policy is to capitalize assets with a cost basis or acquisition value at time of donation of \$5,000 or greater. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. When appropriate, the Authority provides for depreciation of capital assets using the straight-line method at amounts estimated to amortize the cost or other basis of the assets over their estimated useful lives.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

1) Summary of Significant Accounting Policies, Continued

The Authority's capital assets consist of land, land improvements, buildings and improvements, and infrastructure. Depreciation is taken over the capital assets estimated useful lives as follows:

	<u>No. of Years</u>
Land improvements	20
Building and improvements	40
Infrastructure	25-30

Pass-Through Financing Leases

Some activities of the Authority represent pass-through leases. The Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities within the County. These agreements provide for periodic rental payments in amounts, which are equal to the principal and interest payments due to project bondholders. The Authority has assigned all rights to the rental payments to the trustees of the bondholders, and the lessees have assumed responsibility for all operating costs, such as utilities, repairs, and property taxes. In such cases, the Authority neither receives nor disburses funds.

Although title to these properties rests with the Authority, bargain purchase options or other lease provisions eliminate any equity interest that would otherwise be retained. Deeds of trust secure outstanding obligations, and title will revert to the lessee when the bonds are fully paid.

Therefore, while 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 associated assets, liabilities, deferred inflows or outflows of resources, rental income, or interest expense in its financial statements.

Advertising Costs

Advertising costs (promotion expenses) are expensed in the period in which they are incurred.

Estimates

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

2) Cash and Short-Term Investments

The Authority's cash and short-term investments consisted of:

	<u>6/30/2021</u>	<u>6/30/2020</u>
Bank deposits	\$ 545,407	\$ 342,306
Investments	-	242,091
	<u>\$ 545,407</u>	<u>\$ 584,397</u>

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

2) Cash and Short-Term Investments, Continued

The Authority's investments were as follows:

Investment Type	6/30/2021		6/30/2020	
	Amount	Maturity	Amount	Maturity
Certificate of deposit (cost-based)	\$ -	N/A	\$ 121,046	2021
Certificate of deposit (cost-based)	-	N/A	121,045	2021
	<u>\$ -</u>		<u>\$ 242,091</u>	

The Authority utilizes the Investment Policy (Policy) of the County, which is enforced by the James City County Treasurer. In accordance with the *Code of Virginia* and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, which measures its investments at amortized cost). The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury obligations	100% maximum
Federal Agency obligations	100% maximum
Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum

Credit Risk

As required by state statute, the Policy requires commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of "AA" long-term debt rating by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 2020, the Authority was no longer invested in LGIP.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

2) Cash and Short-Term Investments, Continued

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2020, all of the Authority's investments are held in a bank's trust department in the Authority's name.

3) Conduit Debt Obligations

From time to time, the Authority has issued Economic Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial 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. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2021 and 2020, there were 15 series of Economic Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$168 million and \$181 million, respectively.

4) Transactions with Related Parties

Certain financial management and accounting services are provided to the Authority by the County. Services were provided at no charge during the years ended June 30, 2021 and 2020. In addition, certain personnel costs in 2021 and 2020 were incurred by the County for the benefit of the Authority at no charge to the Authority.

Certain legal services are provided to the Authority by the County. The charges for these services amounted to \$6,000, respectively for the years ended June 30, 2021 and 2020, and are included in professional fees in the accompanying statements of revenues, expenses, and changes in net position.

At June 30, 2021 and 2020, the County owed \$49,767 and \$53,339, respectively, to the Authority for its contribution to fund business incentives related to a performance based agreement and Enterprise Zone grants.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Notes to Financial Statements
June 30, 2021 and 2020

4) Transactions with Related Parties, Continued

The Authority negotiates tax abatements as part of the Enterprise Zone Grant Program, the purpose of which is to bring new commercial and industrial businesses to the County. The County provided \$2,568 and \$5,223 to the Authority to cover the costs of these payments in fiscal years 2021 and 2020, respectively.

In fiscal year 2016, the Authority entered into a performance agreement with a business to provide incentive payments based on their investment in machinery and tools, and the County agreed to fund the incentive payments. The Authority paid \$47,199 during fiscal year 2021 for this incentive and the funding was provided by the County. This payment is included in community development expenses in the accompanying statements of revenues, expenses, and changes in net position. No payments were made in fiscal year 2020 based on the terms of the agreement.

An Authority Board member serves as the Vice President of Construction for a local contractor that performs construction at the marina property for its tenant, Billsburg Brewery (the "Brewery"). Any major improvements on the property, of a structural nature or costing over \$5,000, require the Authority's prior written consent per the lease agreement with the Brewery. Additional information on the lease agreement is provided in Note 8.

5) Notes Receivable

A summary of notes receivable for fiscal years 2021 and 2020 is below.

	<u>6/30/2021</u>	<u>6/30/2020</u>
Regina Enterprises, LLC	\$ 73	\$ 73
MODU System America, LLC	20,638	20,638
Subtotal	20,711	20,711
Allowance for doubtful accounts	(73)	(73)
Total notes receivable	<u>\$ 20,638</u>	<u>\$ 20,638</u>
Reconciliation to Statements of Net Position:		
Notes receivable, current	\$ -	\$ -
Notes receivable, non-current	20,638	20,638
Total notes receivable	<u>\$ 20,638</u>	<u>\$ 20,638</u>

On October 13, 2010, the Authority entered into a loan forgiveness agreement with Regina Enterprises, LLC for \$5,000, and the term of the agreement was later extended to March 31, 2019 at 0% interest. During fiscal year 2018, Regina Enterprises, LLC closed, at which time the full balance of the loan became payable, and during fiscal year 2019, the Authority collected \$2,500 of the remaining balance due. At June 30, 2021 and 2020, the remaining balance due for this loan was \$73, and the corresponding allowance for doubtful accounts reflects this amount.

On May 24, 2016, the Authority entered into an agreement with MODU System America, LLC and OKS International, LLC, in which the Authority made a one-time grant of \$25,000 to the businesses in exchange for specified performance. Per the agreement, the grant was in the form of a zero-interest loan to be forgiven at the end of seven years if the terms were satisfied in full. On May 10, 2019, the Authority entered into a supplemental agreement with these businesses to cure defaults that had occurred in the original agreement and provide a method to cure potential future defaults. At the conclusion of fiscal year 2021, it was calculated that a cure payment in the amount of \$1,048 is due from MODU System America, LLC. Once the payment is received, the total notes receivable will reflect a decrease of that amount. In fiscal year 2020, the total notes receivable decreased by \$4,362 when MODU System America, LLC remitted payment of this amount to cure defaults of prior years.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

6) Capital Assets

A summary of the capital asset activity for fiscal years 2021 and 2020 is below.

	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021
Capital assets, nondepreciable:				
Land	\$ 710,795	\$ -	\$ -	\$ 710,795
Land improvements	34,200	-	-	34,200
Construction in progress	166,510	-	166,510	-
Total capital assets, nondepreciable	911,505	-	166,510	744,995
Capital assets, depreciable:				
Land improvements	237,988	-	-	237,988
Buildings and improvements	290,095	-	-	290,095
Infrastructure	182,379	-	-	182,379
Total capital assets, depreciable	710,462	-	-	710,462
Less accumulated depreciation:				
Buildings and improvements	19,339	7,269	-	26,608
Land improvements	31,731	11,957	-	43,688
Infrastructure	16,621	6,252	-	22,873
Total accumulated depreciation	67,691	25,478	-	93,169
Total capital assets, depreciable, net	642,771	(25,478)	-	617,293
Total capital assets, net	\$ 1,554,276	\$ (25,478)	\$ 166,510	\$ 1,362,288

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020
Capital assets, nondepreciable:				
Land	\$ 1,037,951	\$ -	\$ 327,156	\$ 710,795
Land improvements	34,200	-	-	34,200
Construction in progress	166,510	-	-	166,510
Total capital assets, nondepreciable	1,238,661	-	327,156	911,505
Capital assets, depreciable:				
Land improvements	237,988	-	-	237,988
Buildings and improvements	290,095	-	-	290,095
Infrastructure	182,379	-	-	182,379
Total capital assets, depreciable	710,462	-	-	710,462
Less accumulated depreciation:				
Buildings and improvements	12,087	7,252	-	19,339
Land improvements	19,832	11,899	-	31,731
Infrastructure	10,388	6,233	-	16,621
Total accumulated depreciation	42,307	25,384	-	67,691
Total capital assets, depreciable, net	668,155	(25,384)	-	642,771
Total capital assets, net	\$ 1,906,816	\$ (25,384)	\$ 327,156	\$ 1,554,276

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

7) Commitment of Operating Subsidies

The following operating subsidy agreements were in effect for fiscal years 2021 and 2020.

- In fiscal year 2017, the Authority along with the Economic Development Authority of the City of Williamsburg, Virginia (EDA-WMSBG) and the Economic Development Authority of York County, Virginia (EDA-YORK), transferred regional economic development initiatives to the Greater Williamsburg Partnership, including the operation of a regional business incubator, referred to as "Launchpad." The Authority, EDA-WMSBG, and EDA-YORK agreed that \$103,500 was a reasonable estimate of the annual costs to operate Launchpad and that each party would be responsible for one-third of those annual costs. During fiscal years 2020 and 2021, the Authority made annual contributions to Launchpad of \$34,500.
- On January 1, 2020, the Authority renewed an ongoing agreement with Renwood Farms, Inc. (Renwood) whereby Renwood would pay the Authority annual rent of \$14,725 for use of farm property owned by the County. Under this agreement, Renwood would be compensated from the sale of farm goods produced. The current agreement ends on December 31, 2022 with the ability to renew for one additional two-year term. In fiscal years 2020 and 2021, the Authority received \$14,725 from Renwood annually.

8) Rent Receivable

In 2016, the Authority entered into an agreement to lease property at a marina, including a warehouse later constructed on the premises, to Billsburg Brewery (the "Brewery"). The initial term of the lease was for ten years and will automatically renew for up to two additional five year terms. The lease commenced in September 2017, and the rent amount paid for the first year was \$60,000. Per the agreement, rent would increase the first five subsequent years by 3% annually and will remain an annual rent of \$70,000 for the last four years of the initial term. Rent will increase by 5% for each renewal term.

The warehouse and renovations were capitalized at a cost of \$710,462. Depreciation expense on these assets was \$25,478 and \$25,384 at June 30, 2021 and 2020, respectively. This resulted in accumulated depreciation of \$93,169 and \$67,691 at June 30, 2021 and 2020, respectively.

The Authority entered into a supplemental agreement with the Brewery on June 18, 2020 due to Executive Orders 53 and 55 issued by the Governor of Virginia that set restrictions for brewery retail operations. This supplemental agreement abated 100% of rent owed by the Brewery for the month of April 2020. This abatement totaled \$5,305 and is recognized on the statement of revenues, expenses, and changes in net position for fiscal year 2020. Additionally, the Authority agreed to defer \$16,072 of rent owed by the Brewery for the months of July, August, and September 2020 until October 10, 2021. The Brewery began repaying the deferred rent in March 2021, and the remaining balance of \$8,036 is included in rent receivable as of June 30, 2021.

The Authority collected \$57,209 and \$58,041 of rent payments during fiscal years 2021 and 2020, respectively. Excluding the deferred rent amount, the balance of the rent receivable was \$32,360 and \$26,531 as of June 30, 2021 and 2020, respectively. Future annual rent payments from the Brewery are anticipated as follows:

2022	\$ 75,239
2023	69,219
2024	69,926
2025	70,000
2026	70,000
2027-2031	363,417
2032-2036	381,587
2037-2038	90,037
Total	<u>\$ 1,189,425</u>

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2021 and 2020

9) COVID-19

During fiscal years 2020 and 2021, the novel coronavirus disease (COVID-19) affected the operations of the Authority as well as the local business environment. The financial activities of the Authority through June 30, 2021 reflect these impacts resulting from COVID-19.

As discussed in Note 8, Executive Orders issued by the Governor of Virginia placed restrictions on brewery operations, and in response, the Authority provided its tenant with a rent abatement in the amount of \$5,305 for the month of April 2020 and rent deferrals for the months of July, August, and September 2020 until October 10, 2021.

In addition, COVID-19 resulted in the cancellation of the annual Ladies Professional Golf Association (LPGA) Kingsmill Championship event in May 2020. In February 2020, the Authority paid \$30,000 to the Kingsmill Resort for a skybox and catering at the event to promote local businesses. After the cancellation, the Kingsmill Resort provided the Authority with a full refund in June 2020. This refund is reflected as a reduction to promotion expenses in fiscal year 2020 on the statements of revenues, expenses, and changes in net position.

In April 2020, the Authority collaborated with the Economic Development Authorities of York County and the City of Williamsburg to jointly contribute \$10,000 to the Greater Williamsburg Partnership (GWP) for the purpose of creating a grant program with the Virginia 30-Day Fund, in partnership with the Williamsburg Community Foundation, for businesses in Greater Williamsburg adversely affected by COVID-19 closures. As part of this effort, the Authority contributed \$3,333 to GWP in May 2020, which is reported in community development expenses on the statements of revenues, expenses, and changes in net position.

The Authority's capital assets for the year ended June 30, 2020 included \$166,510 of construction in progress, consisting of the design and engineering costs and related site plan for a building at the James River Commerce Center. This site plan expired as of July 1, 2020, and as a result of economic constraints imposed due to COVID-19, the site plan was not renewed prior to this expiration. As a result, in fiscal year 2021, the Authority wrote off this amount of construction in progress..

The extent to which COVID-19 may impact the Authority's operations and financial condition in subsequent fiscal years will depend on future developments, which remain uncertain and cannot be predicted due to the evolving nature of this situation. As a result, the Authority cannot reasonably estimate the future impact of COVID-19 at this time.

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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 Members of
Economic Development Authority of James City County, Virginia
Williamsburg, Virginia

We have audited, in accordance with the 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, the financial statements of the Economic Development Authority of James City County, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Economic Development Authority of James City County, Virginia's basic financial statements, and have issued our report thereon dated October 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Economic Development Authority of James City County, Virginia's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Economic Development Authority of James City County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Economic Development Authority of James City County, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Economic Development Authority of James City County, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 6, 2021

ECONOMIC DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA
(A Component Unit of the County of James City, Virginia)

SUMMARY OF COMPLIANCE MATTERS
June 30, 2021

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 grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Other Information

ECONOMIC DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA
(A Component Unit of the County of James City, Virginia)

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. 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.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS - COMMONWEALTH OF VIRGINIA

None

**Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)**

Schedules of Revenue Bonds Outstanding - Conduit Debt (Unaudited)

Bond	Date Issued	6/30/2021	6/30/2020
Lease Revenue Bonds, Series 2011 - James City County	9/30/2011	\$ 667,000	\$ 1,334,000
Lease Revenue Bonds, Virginia Capital Projects - James City County	9/11/2012	-	14,050,000
Lease Revenue Refunding Bonds, Series 2014 - James City County	8/4/2014	6,375,000	7,510,000
Lease Revenue Refunding Bonds, Series 2015 - James City County	8/5/2016	22,185,000	26,675,000
Lease Revenue Bonds, Series 2016 - James City County	5/6/2016	21,760,000	22,825,000
Lease Revenue Bonds, Series 2018 - James City County	11/29/2018	19,125,000	20,090,000
Lease Revenue Refunding Bonds, Series 2021 - James City County	5/27/2021	11,030,000	-
Economic Development Revenue Bond - Christopher Newport University Educational Foundation	5/18/2001	2,270,119	2,342,119
Revenue Bond, Series B 2003 - Williamsburg Landing Inc.	9/1/2003	5,590,000	5,590,000
Revenue and Refunding Bond, Residential Care Facility - Williamsburg Landing Inc.	5/11/2005	17,715,000	17,765,000
Revenue Refunding Bond, William and Mary Foundation, Series 2011 (Refunding Variable Rate Revenue Bond - William and Mary Foundation, Series 2006, issued 12/1/2006)	1/17/2012	8,090,000	8,090,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013A Senior	5/31/2013	29,040,000	29,525,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013A Subordinated	5/31/2013	9,897,733	9,897,733
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013B Senior	5/31/2013	6,500,000	6,500,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013C Senior	5/31/2013	1,480,000	1,620,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2016	9/29/2016	6,547,777	6,726,261
		\$ 168,272,629	\$ 180,540,113

See accompanying independent auditors' report.