

**ECONOMIC DEVELOPMENT AUTHORITY
OF YORK COUNTY, VIRGINIA**

(A Component Unit of the County of York, Virginia)

Financial Statements and Supplemental Information

Year Ended June 30, 2024

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Financial Statements and Supplemental Information
Year Ended June 30, 2024

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Independent Auditor's Report

To the Honorable Members of the Board of Directors of the
Economic Development Authority of York County, Virginia
(A Component Unit of the County of York, Virginia)
Yorktown, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Economic Development Authority of York County, Virginia, a component unit of the County of York, 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 business-type activities of the Economic Development Authority of York County, Virginia, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *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 Economic Development Authority of York County, Virginia 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 opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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 audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Economic Development Authority of York County, Virginia's basic financial statements. The accompanying schedule of conduit debt outstanding is presented for purposes of additional analysis and is 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 schedule of conduit debt outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Newport News, Virginia
October 3, 2024

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Management's Discussion and Analysis

This section of the Economic Development Authority of York County, Virginia's (the "Authority" or "EDA") annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the Authority's financial statements following this section.

FINANCIAL HIGHLIGHT

- The Authority's total Net Position was \$3,877,925, which was a decrease in total Net Position during FY2024 of \$2,225,728 or 36%. A significant portion of the FY2024 Authority's net position, \$2,410,046, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations. The restricted portion of the Authority's net position is \$539,844, which is to be used for the installation costs of the generator at the Riverwalk Restaurant / Water Street Grille and for a needs study and maintenance recommendations to the Riverwalk Landing buildings.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Statement of Net Position presents information on all Authority assets and liabilities, with the difference between the 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.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how net position changed during the most recent 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 the Management's Discussion and Analysis.

FINANCIAL ANALYSIS

Summary of Statement of Net Position at:	<u>6/30/2024</u>	<u>6/30/2023</u>
Current assets	\$ 1,147,017	\$ 1,094,855
Noncurrent assets	2,109,744	4,488,180
Capital assets	<u>928,035</u>	<u>903,706</u>
Total assets	<u>\$ 4,184,796</u>	<u>\$ 6,486,741</u>
Current liabilities	\$ 142,614	\$ 247,951
Noncurrent liabilities	<u>71,631</u>	<u>36,960</u>
Total liabilities	<u>214,245</u>	<u>284,911</u>
Deferred inflows of resources	<u>92,626</u>	<u>98,177</u>
Investment in capital assets	928,035	903,706
Restricted	539,844	3,000,000
Unrestricted	<u>2,410,046</u>	<u>2,199,947</u>
Total net position	<u>3,877,925</u>	<u>6,103,653</u>
Total liabilities, deferred inflows, and net position	<u>\$ 4,184,796</u>	<u>\$ 6,486,741</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Management's Discussion and Analysis

FINANCIAL ANALYSIS, Continued

At the close of the 2024 and 2023 fiscal years, the Authority's assets exceeded liabilities and deferred inflow of resources by \$3,877,925 and \$6,103,653, respectively. In fiscal year 2024, the Authority's total net position decreased by \$2,225,728, primarily due to a return of funds \$2,405,176 for a capital improvement project that has been cancelled (see explanation below for operating expenses). A portion of the Authority's net position, \$2,410,046, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations. The restricted portion of the Authority's net position is \$539,844, which is to be used for the installation costs of the generator at the Riverwalk Restaurant / Water Street Grille and for a needs study and maintenance recommendations to the Riverwalk Landing buildings.

In fiscal year 2023, the Authority's total net position increased by \$2,635,112, primarily due to a \$3,000,000 transfer from the County capital fund to the EDA which is a restricted use of funds for a capital improvement to the Riverwalk Landing Restaurant. A portion of the Authority's net position, \$2,199,947, remained unrestricted and may be used to meet the Authority's ongoing objectives and obligations.

	<u>6/30/2024</u>	<u>6/30/2023</u>
Operating Revenues		
Intergovernmental	\$ 319,535	\$ 3,047,535
Waterfront and other rent	264,399	256,463
Administrative fees	130,404	135,292
State grants	3,500	-
Miscellaneous	3,500	2,500
Total operating revenues	<u>721,338</u>	<u>3,441,790</u>
Operating Expenses		
Intergovernmental - Return of funds to York County	2,405,176	-
Waterfront operations	265,689	257,289
Economic development	303,460	495,140
Other fees and miscellaneous	92,699	83,178
Total operating expenses	<u>3,067,024</u>	<u>835,607</u>
Operating Income (Loss)	<u>(2,345,686)</u>	<u>2,606,183</u>
Total Nonoperating Revenues	<u>41,911</u>	<u>28,929</u>
Capital Contribution from primary government -		
York County	<u>78,047</u>	<u>-</u>
Change in Net Position	<u>(2,225,728)</u>	<u>2,635,112</u>
Net position, beginning of the year	<u>6,103,653</u>	<u>3,468,541</u>
Net position, end of the year	<u>\$ 3,877,925</u>	<u>\$ 6,103,653</u>

The County contributes to the operations of the Authority on an annual basis and makes economic development contributions for certain incentives, which vary from one year to the next. These contributions are reflected as intergovernmental revenues. The County contributed \$319,535 and \$3,047,535 for capital improvements, operations and other economic development for fiscal years 2024 and 2023, respectively.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

FINANCIAL ANALYSIS, Continued

In fiscal year 2024, operating expenses increased by \$2,231,417. The majority of the increase was attributable to a return of funds \$2,405,176 to the County. In fiscal year 2023, the EDA was allocated \$3 million in capital projects funding to support the renovation of the County owned and EDA leased Riverwalk Restaurant / Water Street Grille at the Yorktown waterfront. These funds were transferred to the EDA in anticipation that the project was going to begin soon thereafter. Since that time, the project, in its original form has been cancelled.

The original project included the addition of a generator to the building and that has been purchased in the amount of \$52,824. The remaining funds of the original project, \$500,000 will be held in reserve for the needs study and maintenance recommendations at Riverwalk Landing as well as \$42,000 for estimated installation costs of the generator. Thus, \$2,405,176 was returned to the County.

The Authority continues to work cooperatively and receives significant funding from the County of York. As a result of this relationship, the Authority's fiscal position continues to remain positive and stable.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>6/30/2024</u>	<u>6/30/2023</u>
Construction in progress	\$ 342,646	\$ 287,552
Land improvements	1,601	2,243
Infrastructure	<u>583,788</u>	<u>613,911</u>
Total	<u>\$ 928,035</u>	<u>\$ 903,706</u>

Construction in progress at June 30, 2024 reflects design services and improvements at the waterfront. Capital assets of land improvements and infrastructure at June 30, 2024 reflect assets that provide water and sewer access to property owned by the Authority. Additional information can be found in note 6 to the basic financial statements.

ECONOMIC FACTORS

- While nearly 50% of the County's total land area is unable to be developed, York County continued to see new development take place in locations such as Busch Industrial Park. In FY2024, construction was completed on a new 20,000 square-foot flex space on Stafford Court in close proximity to I-64. This space is online and available for occupancy. Southport Holdings continues to develop property it owns and subsequent buildings are slated for construction based upon market demand. The York County Economic Development Authority (EDA) also approved an amendment to extend the 134 Stafford Court option and purchase agreement with Delorean Power. Both spaces provide much needed industrial space in York County's portfolio of available facilities.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

ECONOMIC FACTORS, Continued

- Dominion Energy completed site assessment and pre-engineering work for the new solar array to be installed on a portion of the Kings Creek Commerce Center (KCCC) and are slated to break ground on the project in the first quarter of 2025. The Eastern Virginia Regional Industrial Facility Authority (EVRIFA) completed the process of having the KCCC designated as a business park, paving the way for the first property sale at the site of approximately 31 acres, scheduled to take place in the first quarter of 2025.
- In support of Seaford Scallop operations, the associated scallop fleet, and other users of Back Creek, York County and the EDA continued working with the United States Army Corps of Engineers to develop a dredging solution for the Back Creek channel from Seaford Scallop to the Chesapeake Bay. Over time, the channel has experienced extreme shoaling, which has increased the risk to boat traffic and directly led to multiple groundings. Without this project, the County faced the possibility of losing the scallop fleet and Seaford Scallop to a New England location. The dredging work will remove the accumulated silt from the channel, create a safe passageway for years to come, and allow the thriving scallop industry to continue operations in York County. The project continues to move forward with the recent completion of the CAP107 feasibility study and is moving toward the public comment stage.
- The former Iceplex facility in Kiln Creek is under new ownership as Chilled Ponds Ice Sports Complex at Yorktown. The facility underwent a \$2 million renovation to upgrade and modernize to be better positioned to operate in partnership with their Chesapeake facility in attracting regional ice hockey tournaments. Chilled Ponds also worked with York County Parks & Recreation to offer free public skating sessions to York County residents and is currently adding a free pre-school program to the existing resident offerings. Chilled Ponds recently added a new restaurant amenity and brewing company to the facility. The EDA continues to assist in the search for a second location to bring a second sheet of ice / facility to York County. Chilled Ponds was the recipient of York County's 2024 Distinguished Business Award.
- At the Yorktown waterfront, a number of tenant leases in Riverwalk Landing were renewed and/or extended in FY2024. The County-owned and EDA-managed facility remains fully leased with a number of tenants holding multi-year leases. Next year will mark the 20th anniversary of the opening of Riverwalk Landing.
- York County's Department of Economic & Tourism Development continues efforts to support businesses and spur economic activity in York County through grant and incentive programs which were revamped in FY2024. The changes to the grant and incentive programs include increased award amounts, easier access for businesses seeking financial assistance, and the addition of a new marketing grant. In FY2024, these grants assisted in the demolition of blighted structures, expansion of existing businesses, funding the redevelopment of existing sites, and establishing/solidifying the business' web presence. This was achieved through the EDA awarding a total of 18 grants in FY2024.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

ECONOMIC FACTORS, Continued

- FY2024 represented another strong year for new businesses in York County as there were 139 new commercial and 213 home-based businesses launched in FY2024. To celebrate and highlight new business, York County's Department of Economic & Tourism Development provided 22 ribbon cuttings in FY2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide users (citizens, taxpayers, bondholders, 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 the report or requests for additional information should be directed to the Director of Economic & Tourism Development, York County Economic Development Authority, 121 Alexander Hamilton Boulevard, Yorktown, Virginia 23690 or telephone (757) 890-3317.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statement of Net Position

6/30/2024

ASSETS

Current assets:

Cash and equivalents	\$ 989,052
Accounts receivable	111,770
Other receivables	4,744
Lease receivables	41,146
Lease interest receivable	305
Total current assets	<u>1,147,017</u>

Noncurrent assets:

Restricted cash and equivalents	553,965
Land held for resale	1,077,252
Prepaid expense	10
Note receivables	424,908
Lease receivables	53,609
Nondepreciable capital assets:	
Construction in progress	342,646
Depreciable capital assets:	
Land improvements	9,604
Infrastructure	942,108
Accumulated depreciation	<u>(366,323)</u>
Total noncurrent assets	<u>3,037,779</u>

Total assets	<u>\$ 4,184,796</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 30,456
Due to Primary Government - York County	112,158
Total current liabilities	<u>142,614</u>

Noncurrent liabilities:

Deposits payable	14,121
Unearned revenues	57,510
Total noncurrent liabilities	<u>71,631</u>
Total liabilities	<u>214,245</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	92,626
Total deferred inflows of resources	<u>92,626</u>

NET POSITION

Investment in capital assets	928,035
Restricted for capital projects	539,844
Unrestricted	2,410,046
Total net position	<u>3,877,925</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 4,184,796</u>
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The accompanying notes are an integral part of the basic financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Position

	Year Ended 6/30/2024
Operating Revenues	
Intergovernmental	\$ 319,535
Waterfront and other rent	264,399
Industrial revenue bond administrative fees	130,404
State grants	3,500
Miscellaneous	3,500
Total operating revenues	<u>721,338</u>
Operating Expenses	
Intergovernmental - Return of funds to York County	2,405,176
Waterfront operations	155,185
Waterfront rentals	110,504
Economic development incentives	303,460
Professional fees	12,400
Board member fees	5,100
Miscellaneous	44,434
Depreciation	30,765
Total operating expenses	<u>3,067,024</u>
Operating Loss	<u>(2,345,686)</u>
Nonoperating Revenues	
Interest income	<u>41,911</u>
Capital contribution from primary government - York County	<u>78,047</u>
Change in Net Position	(2,225,728)
Total net position, beginning of year	<u>6,103,653</u>
Total net position, end of year	<u><u>\$ 3,877,925</u></u>

The accompanying notes are an integral part of the basic financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Statement of Cash Flows

	Year Ended 6/30/2024
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Primary Government - York County	\$ 319,535
Receipts from rental income	356,621
Other receipts	136,540
Payments to suppliers for goods and services	(731,576)
Payments to County for returned funds	(2,405,176)
Payments to Board members for services	(5,100)
Net cash used by operating activities	<u>(2,329,156)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(55,094)
Net cash used in capital and related financing activities	<u>(55,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	41,911
Net cash provided by investing activities	<u>41,911</u>
Net change in cash and cash equivalents	(2,342,339)
Cash and cash equivalents, beginning of year	3,885,356
Cash and cash equivalents, end of year	<u>\$ 1,543,017</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and equivalents	\$ 989,052
Restricted cash and equivalents	553,965
Cash and cash equivalents, end of year	<u>\$ 1,543,017</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (2,345,686)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	30,765
Changes in operating assets and liabilities:	
Accounts receivable	58,358
Lease receivables	4,892
Lease interest receivable	(148)
Prepaid expense	1
Note receivables	(257)
Other receivables	(864)
Accounts payable	9,551
Unearned revenues	34,671
Deferred inflows - leases	(5,551)
Due to Primary Government - York County	(114,888)
Net cash used by operating activities	<u>\$ (2,329,156)</u>
Noncash capital and financing activities:	
Contribution of land held for resale from the Primary Government - York County	<u>\$ 78,047</u>

The accompanying notes are an integral part of the basic financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Notes to Basic Financial Statements
June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Economic Development Authority of York County, Virginia (the "Authority") was created as a tax-exempt political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of York, Virginia (the "County") on July 6, 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, duly enacted into law as Chapter 33, Section 15.1-1373, et seq., of the *Code of Virginia* (1950), as amended. The Authority is governed by seven directors appointed by the Board of Supervisors of the County. It is authorized to acquire, own, lease and dispose of properties in order to promote industry and develop trade by inducing enterprises to locate and remain in Virginia. In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under such bonds may be retained by the Authority, or it may be assumed by the enterprises for which the facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to the bond trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the County, the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be collateralized by a deed of trust on those facilities.

The Reporting Entity

The Authority is considered a component unit of the County. Component units are legally separate entities for which a Primary Government is financially accountable. The information in these financial statements will also be included in the County's basic financial statements because of the significance of the Authority's financial relationship with the County.

The Authority exists as a legal entity with a Board of Directors appointed by the County's Board of Supervisors. The Board of Directors manages and allocates operating and marketing budgets and capital funds recorded on the books of the Authority.

Basis of Accounting

The Authority's operations are accounted for as a proprietary fund used to account for the activities of the Authority as noted above. The financial statements are presented on the accrual basis of accounting, using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Notes to Basic Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Position

Net position may consist of the following components based on the extent of constraints upon the use of the resources:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt incurred to finance the capital assets.

Restricted – Reported when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

Unrestricted – Consists of funds that are available for any purpose.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted under 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 these estimates.

Pass-thru Financing Leases and Conduit Debt

Some activities of the Authority represent pass-through leases. These agreements provide for periodic rental payments in amounts 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 collateralize outstanding bond obligations and title will revert to the lessee when the bonds are fully paid. Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets or liabilities. Outstanding conduit debt amounted to \$70,862,000 at June 30, 2024.

Cash Equivalents

For purposes of the Statement 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.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Notes to Basic Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted Cash and Equivalents

At June 30, 2024, restricted cash was \$553,965 and consisted of \$539,844 for the Riverwalk Landing needs study and maintenance recommendations and \$14,121 in tenant security deposits.

Accounts and Other Receivables

At June 30, 2024, accounts receivable consisted of Riverwalk Landing rental payments and interest of \$111,770. All outstanding receivables at June 30 have been subsequently collected; therefore, an allowance was not deemed necessary.

At June 30, 2024, other receivables were \$4,744 and consisted of Riverwalk Landing rental payments and expense reimbursements. Other receivables have been deemed collectible; therefore, an allowance was not deemed necessary.

Land Held for Resale

Land held for lease or resale is stated at acquisition cost plus improvements and capitalized interest, if applicable, but not in excess of net realizable value. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. As land is sold, all costs associated with that land are charged to cost of land sold.

Capital Assets

Capital assets are capitalized at historical cost, if purchased. Contributed capital assets are recorded at their acquisition value at the date of donation. The Authority utilizes the County's capitalization threshold of \$5,000 or more for recording equipment, land improvements and infrastructure and \$30,000 for buildings and building improvements, for assets with useful lives greater than one year. Capital assets are depreciated over their estimated useful lives using the straight-line, half-year convention method. The estimated useful lives are as follows: equipment (3-20), land improvements (15-20), buildings and improvements (10-50), and infrastructure (10-50).

Leases: Lessor

The Authority is a lessor for noncancellable leases of business space. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 its estimated incremental borrowing rate as the discount rate for leases unless a rate is specified in the lease agreement.
- The lease term includes the noncancellable period 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 lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Unearned Revenues

At June 30, 2024, unearned revenues were \$57,510 and consisted of non-refundable deposits received for the sale of property and prepaid rent.

2. DEPOSITS AND INVESTMENTS

The Authority's cash and investments consisted of:

	<u>June 30, 2024</u>
Bank deposits and pending bank transfers	\$ 799,291
Local Government Investment Pool (LGIP)	743,726
	<u>\$ 1,543,017</u>
<u>Reconciliation to Statement of Net Position:</u>	
Cash and equivalents	\$ 989,052
Restricted cash and equivalents	553,965
	<u>\$ 1,543,017</u>

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements and the LGIP. LGIP is managed in a manner consistent with the "2a7 like pool" requirements of accounting principles generally accepted in the United States of America. The portfolio securities are valued by the amortized cost method.

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements
June 30, 2024

2. DEPOSITS AND INVESTMENTS, Continued

Credit Risk

As of June 30, 2024, the Authority's investment in the LGIP was rated AAAm by Standard & Poor's.

3. LAND HELD FOR RESALE

Property is stated at acquisition cost plus improvements, but not in excess of net realizable value. Property contributed by the County is stated at the County's cost. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized costs are allocated to each parcel benefited, based on relative fair value before construction. As property is sold, all costs associated with that property are charged to cost of land sold.

Land held for resale at June 30, 2024 consists of the following:

<u>Property</u>	<u>June 30, 2024</u>
Jordan Property-Old York Hampton Highway	\$ 9,242
Busch Property-Stafford Court	440,163
6714 George Washington Memorial Highway	349,800
3401 Hampton Highway	200,000
5170 & 5170A George Washington Memorial Highway	78,047
	<u>\$ 1,077,252</u>

4. NOTE RECEIVABLES

In June 2019, the Authority executed an agreement for 1.25 acres to be sold located on 7120 and 7124 George Washington Memorial Highway. As part of this agreement, a note receivable of \$399,000 was recorded with performance obligations outlined below:

- i. \$200,000 shall be forgiven upon the issuance by the York County Building Official of a Certificate of Occupancy for the proposed facility.
- ii. \$75,000 shall be forgiven following the completion of six months of full operations of the facility.
- iii. As additional \$75,000 shall be forgiven after the completion of twelve months of full operation of the facility.
- iv. The balance shall be due and payable in full on the due date of the note, June 24, 2022.

As of June 30, 2024, none of the performance obligations have been met and the balance of the note is \$399,000. Due to unforeseen health concerns the borrower will not be opening under their name but will be leasing to an established brand by quarter one of 2025. At which time, the performance obligations will be reviewed.

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements
June 30, 2024

4. NOTE RECEIVABLES, Continued

In December 2020, the Authority provided a three-year loan of \$25,000 plus interest of 1% per annum. In June of 2024, the Authority extended the loan for two additional years. No payments will be due if terms of the performance agreement are met on the fifth anniversary of the execution of the agreement or December 3, 2025. As of June 30, 2024, the balance of the note is \$25,908.

5. LEASE RECEIVABLES AND DEFERRED INFLOWS

For the year ended June 30, 2024, the financial statements include GASB Statement No. 87, Leases, which was implemented in FY2022. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The EDA rents building space to various businesses at Riverwalk Landing with lease terms ranging from 24 to 78 months. As of June 30, 2024, the value of the lease receivable is \$94,755. As of June 30, 2024, the value of the lease interest receivable is \$305. The value of the deferred inflow of resources as of June 30, 2024 was \$92,626 and the EDA recognized lease revenue of \$55,930 during the fiscal year.

The following is a summary of changes in leases receivable:

Balance				Balance	
<u>June 30, 2023</u>	<u>Additions</u>		<u>Reductions</u>	<u>June 30, 2024</u>	
\$ 99,647	\$ 52,476		\$ (57,368)	\$ 94,755	

The following is a summary of changes in deferred inflows:

Balance				Balance	
<u>June 30, 2023</u>	<u>Additions</u>		<u>Reductions</u>	<u>June 30, 2024</u>	
\$ 98,177	\$ 52,476		\$ (58,027)	\$ 92,626	

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2024

5. LEASE RECEIVABLES AND DEFERRED INFLOWS, Continued

A summary of future principal and interest receipts as of June 30, 2024, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 41,146	\$ 1,368	\$ 42,514
2026	20,698	811	21,509
2027	21,730	424	22,154
2028	11,181	60	11,241
Total minimum lease payments	<u>\$ 94,755</u>	<u>\$ 2,663</u>	<u>\$ 97,418</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 is as follows:

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2024</u>
Capital assets not being depreciated:				
Construction in progress	\$ 287,552	\$ 55,094	\$ -	\$ 342,646
Total capital assets not being depreciated	<u>287,552</u>	<u>55,094</u>	<u>-</u>	<u>342,646</u>
Capital assets being depreciated:				
Land improvements	9,604	-	-	9,604
Infrastructure	942,108	-	-	942,108
Total capital assets being depreciated	<u>951,712</u>	<u>-</u>	<u>-</u>	<u>951,712</u>
Less accumulated depreciation for:				
Land improvements	(7,361)	(642)	-	(8,003)
Infrastructure	(328,197)	(30,123)	-	(358,320)
Total accumulated depreciation	<u>(335,558)</u>	<u>(30,765)</u>	<u>-</u>	<u>(366,323)</u>
Total capital assets being depreciated, net	<u>616,154</u>	<u>(30,765)</u>	<u>-</u>	<u>585,389</u>
Total	<u>\$ 903,706</u>	<u>\$ 24,329</u>	<u>\$ -</u>	<u>\$ 928,035</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements
June 30, 2024

7. TRANSACTIONS WITH PRIMARY GOVERNMENT - YORK COUNTY

Intergovernmental revenues received from York County and related due to and due from the Primary Government consisted of the following:

<u>Purpose</u>	<u>June 30, 2024</u>
Operating contributions	\$ 319,535
Due to Primary Government - York County	112,158
Capital Contribution	78,047

In fiscal year 2024, \$112,158 were due to the County and were related to the Riverwalk Landing Lease agreement.

Intergovernmental expenses paid to York County consisted of the following:

<u>Purpose</u>	<u>June 30, 2024</u>
Return of County funds for cancelled project	\$ 2,405,176

8. WATERFRONT AND OTHER RENTAL INCOME

In March 2003, the Authority executed a lease agreement with the County for the Yorktown Waterfront property for \$1 per year with a term of 30 years. Under the terms of the agreement, the Authority revitalized the property to include a restaurant, office and retail space, parking facilities, travel ways, landscaping and other improvements. Upon completion of the Yorktown Revitalization Project, there were 11 facilities for lease within the development, referred to as Riverwalk Landing. The Authority executed subleases for the facilities with annual rents of \$264,398 for the fiscal year ended June 30, 2024. Section 4 of the lease provides that the Authority will remit all rents and profits realized from any such sublease to the County to be managed and made available for expenditures for maintenance of the property and redemption of the bonds issued for the development. Of the \$264,399 lease income recorded, \$208,469 was related to leases that were excluded from GASB 87 based on the terms of the leases. See note 5 for information on GASB 87 lease revenue and related receivables.

9. PERFORMANCE AGREEMENTS

The Authority has executed performance agreements with various businesses. Upon completion of the specific requirements, the grant funds are awarded in accordance with the terms of the performance agreements. At fiscal year ending June 30, 2024 the Authority has committed to pay \$166,072 in funds to businesses that satisfy the agreements.

SUPPLEMENTAL INFORMATION

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Schedule of Conduit Debt Outstanding (1)

<u>Issue Name</u>	<u>Facility Description</u>	<u>Date of Original Issue</u>	<u>Trustee</u>	<u>Bonds Aggregate Amount at Issue</u>	<u>Aggregate Outstanding Payable at 6/30/2024</u>
Pollution Control Revenue Bonds (VEPCO), Series 2009A	Pollution control equipment and facility related to the conversion of the Yorktown Power Station	5/19/2009	US Bank	\$ 70,000,000	\$ 70,000,000
Qualified Non-Profit Revenue and Refunding Bond, Series 2013	Colonial Community Services, Inc. Project	7/19/2013	Blue Ridge Bank	\$ 2,750,000	\$ 862,000
				Total	<u>\$ 70,862,000</u>

(1) See Report of Independent Auditor

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 of the
Economic Development Authority of York County, Virginia
(A Component Unit of the County of York, Virginia)
Yorktown, 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 business-type activities of the Economic Development Authority of York County, Virginia (the "Authority"), 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, and have issued our report thereon dated October 3, 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 3, 2024

Economic Development Authority of York County, Virginia

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 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