

**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, 2024

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

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

Authority Officials
June 30, 2024

Board Members

Ellen Smith Gajda, Chair
Lynn Meredith, Vice Chair
Brandon Nice
Vince Campana III
Joseph Stanko
Rebecca Mulvain
William Turner

Other Officials

Barbara E. Null, Board of Supervisor Liaison
Christopher Johnson, Secretary
Jennifer Tomes, Treasurer
Adam Kinsman, Legal Counsel

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of James City County, Virginia (the "Authority"), a component unit of the County of James City, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2024, and the respective changes in financial position and its 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 the *Specifications for Audits of Authorities, Boards, and Commissions* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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, *Government Auditing Standards*, and the Specifications 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, *Government Auditing Standards*, and the Specifications, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Authority Officials and the Schedules of Revenue Bonds Outstanding - Conduit Debt but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The script is cursive and fluid, with the letters "C", "B", and "L" being particularly prominent.

Richmond, Virginia
October 2, 2024

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, 2024

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, as of and for the fiscal year ended June 30, 2024.

Financial Highlights

The Authority had an increase in net position of \$240,887 for fiscal year 2024, primarily due to annual bond fee revenues and interest income earned on an investment account.

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 Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to Financial Statements. The Statement of Net Position presents information on the Authority's 1) assets and 2) 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. The Statement of Cash Flows supplement the above two statements by presenting changes in cash position as a result of the Authority's activities over the current year. Notes to 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 Statement of Net Position

	6/30/2024	6/30/2023
Current assets	\$ 12,493,411	\$ 11,492,382
Capital assets, net of accumulated depreciation	524,019	1,116,293
Other non-current assets	52,068,275	62,453,189
Total assets	\$ 65,085,705	\$ 75,061,864
Current liabilities	\$ 10,273,247	\$ 10,106,210
Non-current liabilities	50,041,049	60,237,568
Total liabilities	60,314,296	70,343,778
Deferred inflows of resources	1,790,694	1,978,258
Net position		
Net investment in capital assets	524,019	1,116,293
Unrestricted	2,456,696	1,623,535
Total net position	2,980,715	2,739,828
Total liabilities, deferred inflows of resources, and net position	\$ 65,085,705	\$ 75,061,864

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, 2024

Current assets experienced an increase of \$1,001,029 in 2024. For fiscal year 2024, the increase was primarily due to the sale of a parcel of land owned by the Authority along with bond fees both new and recurring. Total assets experienced a decrease of (\$9,976,159), primarily from the reduction of bond principal and interest payments that the Authority issued on behalf of James City County, Virginia (County). The Authority has issued these bonds and is a party to the related transactions, but the County is fully responsible for this debt.

Current liabilities experienced an increase of \$167,037 in fiscal year 2024, primarily due to an increase in the portion of bond principal that will be due within one year. Non-current liabilities experienced a decrease of (\$10,196,519) in fiscal year 2024, primarily due to the payments made on the outstanding bond principal and interest amounts that the Authority issued on behalf of the County.

During fiscal year 2024, the deferred inflows of resources decreased by (\$187,564) because of recognizing the current portion of revenue from the marina lease as well as the amortization of the deferred charge on the bond refunding.

At June 30, 2024, assets exceeded liabilities and deferred inflows of resources by \$2,980,715.

Summary of Statement of Revenues, Expenses and Changes in Net Position for the Year Ended
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	6/30/2024	6/30/2023
Intergovernmental - County contribution	\$ 2,622,500	\$ 3,020,496
Other	228,419	157,635
Total operating revenues	2,850,919	3,178,131
Bond interest	2,607,775	3,005,771
Other	102,982	120,497
Total operating expenses	2,710,757	3,126,268
Operating income	140,162	51,863
Nonoperating revenues, net	100,725	590,512
Change in net position	240,887	642,375
Net position - beginning of year	2,739,828	2,097,453
Net position - end of year	\$ 2,980,715	\$ 2,739,828

Revenues represent the County's contribution to the Authority and other operating revenues from bond fees and lease revenue from the marina property. In fiscal year 2024, the County contribution decreased by (\$397,996) due to a decrease in amounts owed for lease revenue bond interest. In 2024, other operating revenues increased by \$70,784 primarily because of new bond applications and fees.

The largest of the operating expenses is the bond interest on outstanding debt, which decreased by \$397,996 in fiscal year 2024 due to lower outstanding principal balances.

Nonoperating revenues, net consist of interest income and gains/losses on the disposal of capital assets. In fiscal year 2024, the Authority recognized \$100,725 of net revenue, primarily related to interest income earned on the investment account.

Total net position increased by \$240,887 in 2024, primarily from annual bond fee revenues and interest income earned on the investment account.

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, 2024

Capital Assets

	<u>6/30/2024</u>	<u>6/30/2023</u>
Nondepreciable	\$ -	\$ 549,956
Depreciable	524,019	566,337
Capital assets, net	<u>\$ 524,019</u>	<u>\$ 1,116,293</u>

During fiscal year 2024, net capital assets decreased primarily due to 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, if the debt is not issued for the County, 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 Note 3 to the basic financial statements and the Other Information section on the Schedules of Revenue Bonds Outstanding – Conduit Debt (Unaudited).

The Authority's financial statements reflect liabilities for lease revenue bonds issued on behalf of the County and related bond premiums and deferred charges on the refundings. These balances are offset by a receivable included among the Authority's assets, which reflects that the County will cover the amounts due for the bonds in full. Similarly, the Authority's fiscal year 2024 expenses reflect interest related to these lease revenue bonds, which is offset by a contribution from the County of an equal amount. Further information on these lease revenue bonds issued on behalf of the County and related transactions can be found in Notes 1, 3, 4, and 5.

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)

Statement of Net Position

	<u>6/30/2024</u>
Assets	
Cash and short-term investments (Note 2)	\$ 2,326,785
Bond fee receivable	71,494
Miscellaneous receivable	2,873
Due from Primary Government - net, current portion (Notes 4 and 5)	10,056,479
Lease receivable, current portion (Note 8)	32,594
Lease interest receivable (Note 8)	3,186
Non-current assets:	
Lease receivable, due in more than one year (Note 8)	651,350
Due from Primary Government, due in more than one year, net (Notes 4 and 5)	51,416,925
Capital assets - depreciable, net (Note 6)	524,019
Total assets	<u>\$ 65,085,705</u>
Liabilities, Deferred Inflows of Resources, and Net Position	
Liabilities	
Accounts payable	\$ 3,000
Long-term liabilities (Note 4)	
Due within one year	10,270,247
Due in more than one year	50,041,049
Total liabilities	<u>60,314,296</u>
Deferred inflows of resources	
Deferred inflows, leases (Note 8)	628,386
Deferred charge on refundings, net (Note 4)	1,162,308
Total deferred inflows of resources	<u>1,790,694</u>
Net position	
Net investment in capital assets	524,019
Unrestricted	2,456,696
Total net position	<u>2,980,715</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 65,085,705</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)

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended 6/30/2024
Operating revenues	
Intergovernmental - County contribution (Note 5)	\$ 2,622,500
Lease revenue (Note 8)	47,726
Bond fees	177,410
Miscellaneous	3,283
Total operating revenues	<u>2,850,919</u>
Operating expenses	
Bond interest	2,607,775
Community development (Note 7)	47,585
Depreciation (Note 6)	24,632
Promotion	17,565
Professional fees	13,200
Total operating expenses	<u>2,710,757</u>
Operating income	<u>140,162</u>
Nonoperating revenues (expenses)	
Interest income	120,504
Loss on disposal of capital assets	(19,779)
Total nonoperating revenues, net	<u>100,725</u>
Change in net position	240,887
Net position, beginning of year	<u>2,739,828</u>
Net position, end of year	<u>\$ 2,980,715</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)

Statement of Cash Flows

	Year Ended 6/30/2024
Cash flows from operating activities	
Receipts from County and customers	\$ 2,832,438
Payments to suppliers	(2,683,125)
Net cash provided by operating activities	<u>149,313</u>
Cash flows from capital and related financing activities	
Proceeds from the County for principal on long-term debt	8,815,000
Proceeds from the County for interest on long-term debt	2,607,775
Repayment of principal on long-term debt	(8,815,000)
Interest paid	(2,607,775)
Proceeds from sale of capital assets	547,863
Net cash provided by financing activities	<u>547,863</u>
Cash flows from investing activities	
Interest received	123,671
Net increase in cash	<u>820,847</u>
Cash and short-term investments, beginning of year	<u>1,505,938</u>
Cash and short-term investments, end of year	<u>\$ 2,326,785</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 140,162
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	24,632
Changes in assets and liabilities:	
Bond fee receivable	1,165
Due from Primary Government - net, current portion	199
Miscellaneous receivable	(2,873)
Lease receivable	30,753
Deferred inflows - leases	(47,725)
Accounts payable	3,000
Net cash provided by operating activities	<u>\$ 149,313</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)
Notes to Financial Statements
June 30, 2024

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, Virginia (the 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 the County. 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 accounting principles generally accepted in the United States of America (GAAP). 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 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.

Capital Assets

For fiscal year 2024, the Authority updated its asset capitalization policy. Previously, the Authority capitalized assets with a historical cost or acquisition value at time of donation of \$5,000 or greater. The new policy is to capitalize capital assets as noted in the table below, and this update was treated prospectively as a change in accounting estimate for fiscal year 2024.

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. 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. When capital assets are sold or retired, the related assets and accumulated depreciation are removed from the accounts and any gain or loss is included in nonoperating revenues (expenses).

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024

1) Summary of Significant Accounting Policies, Continued

The capitalization policy and estimated useful lives for the Authority's capital assets are as follows:

<u>Capital Asset</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	All	Indefinite
Land improvements	\$ 10,000	20
Infrastructure	\$ 25,000	25-30
Buildings	\$ 50,000	40

Pass-Through Financing Arrangements

Some activities of the Authority represent pass-through financing arrangements. 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 that 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 borrowers 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 provisions eliminate any equity interest that would otherwise be retained. Deeds of trust secure outstanding obligations, and title will revert to the borrowers 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/promotion costs are expensed in the period in which they are incurred.

Estimates

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

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources which represent an acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources until that time.

The Authority recognizes a deferred inflow of resources for the deferred amount on a bond refunding resulting from the difference in the carrying amount of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Authority also recognizes deferred inflows of resources for the value of lease receivables plus any payments received at or before the commencement of the lease term that relate to future periods.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024

2) Cash and Short-Term Investments

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

	<u>6/30/2024</u>
Bank deposits	\$ 27,591
Investments	<u>2,299,194</u>
Total	<u>\$ 2,326,785</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*.

The Authority's investments at June 30, 2024, were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturity</u>
LGIP (amortized cost)	\$ 2,299,194	1 day

The Authority utilizes the Investment Policy (Policy) of the County, which is enforced by the 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 (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.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024

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.

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, 2024, there were 7 series of Economic Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$218.7 million.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024

4) Long-Term Liabilities

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 91, *Conduit Debt Obligations*, the Authority presents the County's lease revenue bonds, which are issued by the Authority, as debt of the Authority along with related transactions. The Statement of Net Position includes a corresponding receivable from the County, reflecting that these bonds and related transactions are the responsibility of the County. A summary of the Authority's long-term liability activity for the fiscal year ended June 30, 2024, is presented below:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within one year
Lease revenue/refunding bonds	\$ 63,365,000	\$ -	\$ 8,815,000	\$ 54,550,000	\$ 8,995,000
Bond premiums, net	6,889,086	-	1,201,519	5,687,567	1,201,518
Interest payable	89,692	-	15,963	73,729	73,729
Total	<u>\$ 70,343,778</u>	<u>\$ -</u>	<u>\$ 10,032,482</u>	<u>\$ 60,311,296</u>	<u>\$ 10,270,247</u>

Arbitrage

Arbitrage is the difference between the yield on an issuer's tax-exempt bonds and the investment income earned on the proceeds. Arbitrage restrictions imposed by the federal government prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. Any excess arbitrage must be rebated to the U.S. Treasury. As of June 30, 2024, there was no rebate liability.

Details of long-term bond indebtedness at June 30, 2024, for the Authority were as follows:

	Sale date	Original borrowing	Interest rates	Final maturity	Balance June 30, 2024
Lease revenue refunding bonds	2014	\$ 12,575,000	3.00-4.00%	2026	\$ 2,685,000
Lease revenue refunding bonds	2015	49,815,000	4.00-5.00%	2026	8,820,000
Lease revenue bonds	2016	26,750,000	2.00-5.00%	2036	18,270,000
Lease revenue refunding bonds	2018	21,015,000	4.00-5.00%	2039	15,920,000
Lease revenue refunding bonds	2021	11,030,000	3.00-5.00%	2033	8,855,000
				Total	<u>\$ 54,550,000</u>

The debt service requirements for the Authority's bond obligations are as follows:

Year ending June 30,	Lease revenue/refunding bonds	
	Principal	Interest
2025	\$ 8,995,000	\$ 2,195,738
2026	9,165,000	1,772,489
2027	3,585,000	1,341,438
2028	3,715,000	1,204,188
2029	3,855,000	1,061,188
2030-2034	16,970,000	3,130,150
2035-2039	8,265,000	745,050
	<u>\$ 54,550,000</u>	<u>\$ 11,450,241</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, 2024

5) Transactions with Related Parties

Certain financial management, accounting, and legal services are provided to the Authority by the County. These services were provided at no charge during the fiscal year ending June 30, 2024. In addition, certain personnel costs in 2024 were incurred by the County for the benefit of the Authority at no charge to the Authority.

The Authority has a resolution with the County where Renwood Farms, Inc. would pay the County annual rent for use of farm property owned by the County and then pass that revenue through to the Authority. The County passed \$14,725 to the Authority in fiscal year 2024.

The Authority's Statement of Net Position reflects a long-term liability related to lease revenue bonds issued on the County's behalf. The County is responsible for this debt and, as a result, the Authority's Statement of Net Position also reflects an amount due from the County for these bonds of which \$10,056,679 is a current receivable and \$51,416,925 is a long-term receivable. The County is also responsible for annual interest for these bonds, and the fiscal year 2024 contribution from the County includes \$2,607,775 to correspond to interest expense incurred. For the fiscal year ended June 30, 2024, the Authority owed the County \$200 related to purchasing card transactions paid by the County on the Authority's behalf.

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"). 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.

6) Capital Assets

A summary of the capital asset activity for fiscal year 2024 is below.

	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024
Capital assets, nondepreciable:				
Land	\$ 515,756	\$ -	\$ 515,756	\$ -
Land improvements	34,200	-	34,200	-
Total capital assets, nondepreciable	549,956	-	549,956	-
Capital assets, depreciable:				
Land improvements	237,988	-	-	237,988
Buildings	290,095	-	-	290,095
Infrastructure	182,379	-	22,983	159,396
Total capital assets, depreciable	710,462	-	22,983	687,479
Less accumulated depreciation:				
Land improvements	67,603	11,957	-	79,560
Buildings	41,146	7,269	-	48,415
Infrastructure	35,376	5,406	5,297	35,485
Total accumulated depreciation	144,125	24,632	5,297	163,460
Total capital assets, depreciable, net	566,337	(24,632)	17,686	524,019
Total capital assets, net	\$ 1,116,293	\$ (24,632)	\$ 567,642	\$ 524,019

Economic Development Authority of James City County, Virginia
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7) Commitment of Operating Subsidies

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 year 2024, the Authority contributed \$34,500 to Launchpad, which is in community development expenses on the Statement of Revenues, Expenses, and Changes in Net Position.

8) Leases

The Authority is a lessor for a noncancellable lease of property at a marina with Billsburg Brewery (the "Brewery") and recognizes a lease receivable and deferred inflow of resources on the Statement of Net Position related to this lease.

With the adoption of GASB Statement No. 87, *Leases*, the Authority initially measured lease receivables 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 inflows of resources are 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 inflows of resources are recognized as revenue on a straight-line basis over the life of the lease term in the amount of \$47,726, annually. During the year of the implementation, leases entered prior to the beginning of that fiscal year are recorded at their present value as of the implementation date, July 1, 2021, if there were no prepayments or initial incentive payments, which was the case with the Brewery lease.

The lease with the Brewery has an initial term of 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 for 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 assessed value of the leasehold property at the marina is \$798,500. A warehouse and renovations at the site were capitalized by the Authority at a cost of \$687,479. Depreciation expense on these assets was \$24,555 in 2024 resulting in accumulated depreciation of \$163,460 at June 30, 2024.

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 the interest rate implicit in the lease as the discount rate for those leases where the Authority does not specify an interest rate within the lease. The discount rate being used is 5.59%.
- The lease term includes the initial ten-year term of the lease and the two additional five-year renewal terms.
- Lease receipts in the measurement of the lease receivable are composed of fixed payments from the lessee.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2024

8) Leases, Continued

The balance of the lease receivable and lease interest receivable was \$683,944 and \$3,186, respectively, as of June 30, 2024. The present value of future annual lease payments from the Brewery are anticipated as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 32,594	\$ 37,406	\$ 70,000
2026	34,464	35,536	70,000
2027	36,440	33,560	70,000
2028	41,509	31,408	72,917
2029	44,502	28,998	73,500
2030-2034	270,931	103,306	374,237
2035-2038	223,504	20,884	244,388
Total	<u>\$ 683,944</u>	<u>\$ 291,098</u>	<u>\$ 975,042</u>

* * * * *

Compliance Section

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Directors
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, 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 “Specifications”), the financial statements of the Economic Development Authority of James City County, Virginia (the “Authority”), a component unit of the County of James City, 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, and have issued our report thereon dated October 2, 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 were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The script is cursive and fluid, with the letters "Cherry" and "Bekaert" being more prominent than "LLP".

Richmond, Virginia
October 2, 2024

Other Information

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	Issue Date	6/30/2024
Economic Development Revenue Bond - Christopher Newport University Educational Foundation	2001	\$ 2,054,119
Revenue Refunding Bond, William and Mary Foundation, Series 2011 (Refunding Variable Rate Revenue Bond - William and Mary Foundation, Series 2006, issued 12/1/2006)	2012	8,090,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2021A	2021	26,800,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2021B	2021	27,820,000
Williamsburg Landing Inc., Series 2021	2021	68,695,000
Blaine Landing, Series 2022	2022	8,367,000
Williamsburg Landing Inc., Series 2024	2023	76,910,000
		\$ 218,736,119

See accompanying independent auditors' report.