

FINANCIAL REPORT JUNE 30, 2022

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA



**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

Prepared by: City of Suffolk Finance Department

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

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INTRODUCTORY SECTION

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Directory of Principal Officials
June 30, 2022**

BOARD MEMBERS

Maria Herbert, Chairman
Nansemond Borough Representative

Wesley S. King, Vice-Chairman
Cypress Borough Representative

B.J. Willie, Secretary -Treasurer
At-Large Representative Representative

Kevin Hughes, Deputy Secretary-Treasurer
Deputy City Manager

John Broderick
Chuckatuck Representative

George Consolvo
Suffolk Borough Representative

Chris Rice
Holy Neck Borough Representative

Anthony Harper
Whaleyville Borough Representative

Mary Snyder
Sleepy Hole Borough Representative

CITY COUNCIL LIAISON

Donald Z. Goldberg
Chuckatuck Borough Representative

CHIEF LEGAL COUNCIL

Darius Davenport
Crenshaw, Ware & Martin



P.O. Box 1858
Suffolk, Virginia 23439
Telephone 757-514-4040
Facsimile 757-514-4054
www.YesSuffolk.com

Board Members
Economic Development Authority of the City of Suffolk

Dear Board Members,

The economic development initiatives for the City of Suffolk's fiscal year July 1, 2021 through June 30, 2022 were supported by the EDA's contributions. Some of the highlights and actions taken by the EDA included:

- Approved modifications to the Façade Improvement Program for Monument Development at 130 South Saratoga Street.
- Approved a Façade Improvement Program grant for commercial improvements to: 130 South Saratoga Street.
- Approved Economic Development Investment Program Agreements for: GoGreen Farms, Inc., Oldcastle APG, Acesur USA, LLC for Phase II and Birdsong Corporation.
- Approved Downtown Business Development Program Agreements for: The Ward Legacy and Trendi Drip.
- Accepted and Appropriated Funds for completed Economic Development Investment Program Agreements with: Amedeo's Inc., Acesur USA, LLC., Atlantic Constructors, Inc., GoGreen Farms, Inc., Massimo Zanetti Beverage USA, Inc. and The Branch Group, Inc.
- Executed Right of Way Agreements with Dominion Energy for The Point at Harbour View.
- Served as host to the Business Appreciation event.
- Supported independent restaurants through the Taste of Suffolk event.
- Continued to fund the Hampton Roads Small Business Development Center.
- Authorized an Exchange Agreement with the Commonwealth of Virginia Department of Transportation for conveyance and acceptance of property.
- Authorized a Site Agreement with Shenandoah Cable Television, LLC at the Health and Human Services Building property.

The work of the EDA continues to be instrumental in advancing economic development efforts throughout the City of Suffolk. Thank you for your commitment, support and contributions to the City of Suffolk.

Sincerely,

A handwritten signature in black ink that reads "Kevin Hughes". The signature is written in a cursive style with a large, stylized "K" and "H".

Kevin Hughes
Deputy Secretary/Treasurer
Suffolk Economic Development Authority

A handwritten signature in black ink that reads "Tealen Hansen". The signature is written in a cursive style with a large, stylized "T" and "H".

Tealen Hansen
Director of Finance
City of Suffolk

FINANCIAL SECTION

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

Report of Independent Auditor

To the Board Members
Economic Development Authority
City of Suffolk, Virginia

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of the City of Suffolk, Virginia (the "Authority"), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2022, 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, 2022, and the changes in its financial position and its cash flows 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 the 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 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.

Management's Responsibility for the Financial Statements

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

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 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.

Auditors' Responsibility 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 auditing standards generally accepted, *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 auditing standards generally accepted, *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, although not 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, 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

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and other Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Information on pages 24 and 25 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. Such information has been subjected to the auditing procedures applied in the audits 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 Other Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and Other Information on page 26 have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, 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 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 23, 2022

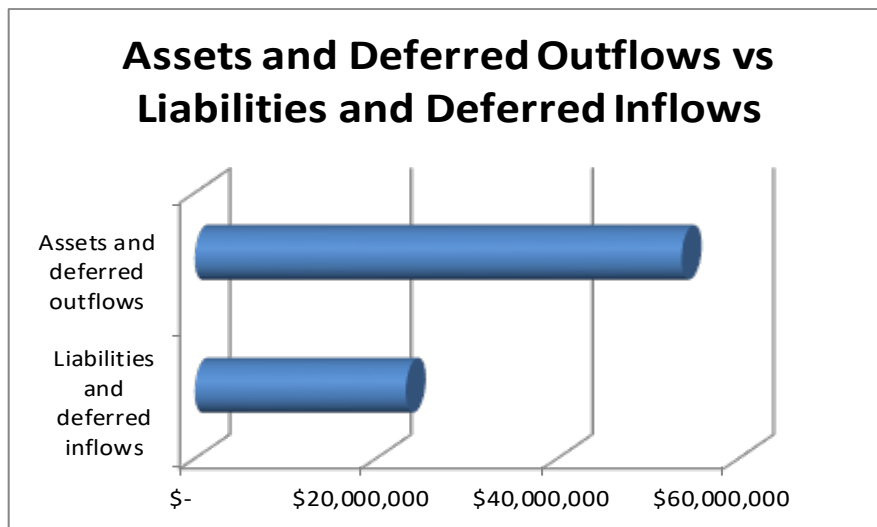
**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management's Discussion and Analysis

This section of the Economic Development Authority of the City of Suffolk, Virginia's (the "Authority") annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the Authority's Letter of Transmittal in the Introductory Section and the financial statements following this section.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$30,437,539. Of this amount, \$12,667,481 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations.



- Net position increased from fiscal year 2021 to fiscal year 2022 by \$407,293 or 1.36%. This is primarily due to increased bond maintenance fees, which increased due to timing of receipts.
- The Operating income for fiscal year 2022 was \$457,705.
- At June 30, 2022 the Authority does not have any construction in progress.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The *Statement of Net Position* presents information on all Authority assets, deferred outflows of resources, liabilities, and deferred inflows of resources, if any, with the difference between those 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.

Overview of the Financial Statements (Continued)

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.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, capital and related financing activities and investing activities.

Notes to the financial statements are an integral part of the statements and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, the Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$30,437,539. The table below provides a summary of the Authority's net position as of June 30, 2022 and June 30, 2021.

Statement of Net Position		
(in millions)		
	2022	2021 ^(*)
Current assets	\$ 13.9	\$ 12.9
Non current assets	39.7	42.5
Total assets	53.6	55.4
Deferred outflows of resources	-	0.1
Total assets and deferred outflows of resources	53.6	55.5
Current liabilities	1.4	1.6
Long-term liabilities	3.2	4.1
Total liabilities	4.6	5.7
Deferred inflows	18.6	19.8
Total liabilities and deferred inflows	23.2	25.5
Net Position:		
Net investment in capital assets	15.7	15.4
Restricted	2.1	2.1
Unrestricted	12.6	12.5
Total net position	\$ 30.4	\$ 30.0

(*) FY2021 presentation has been restated to include the effect of GASB 87 implementation

Financial Analysis (Continued)

A large portion of the Authority's net position (41.61%) represents unrestricted net position of \$12,667,481, which may be used to meet the Authority's ongoing obligations. The implementation of GASB 87 *Leases* increased the non-current assets by the value of the leases that the EDA is involved in as a lessor for the Hotel and Conference Center as well as the Health and Human Services building.

The Authority's capital assets represent land and facility development. The Authority is leasing the majority of these capital assets to the City of Suffolk, Virginia's ("City") Division of Social Services and the Virginia Department of Health for an office building and to a hotel management company to operate and maintain the Hilton Garden Inn and Suffolk Conference Center.

The table below provides a summary of the changes in net position for the years ended June 30, 2022 and June 30, 2021.

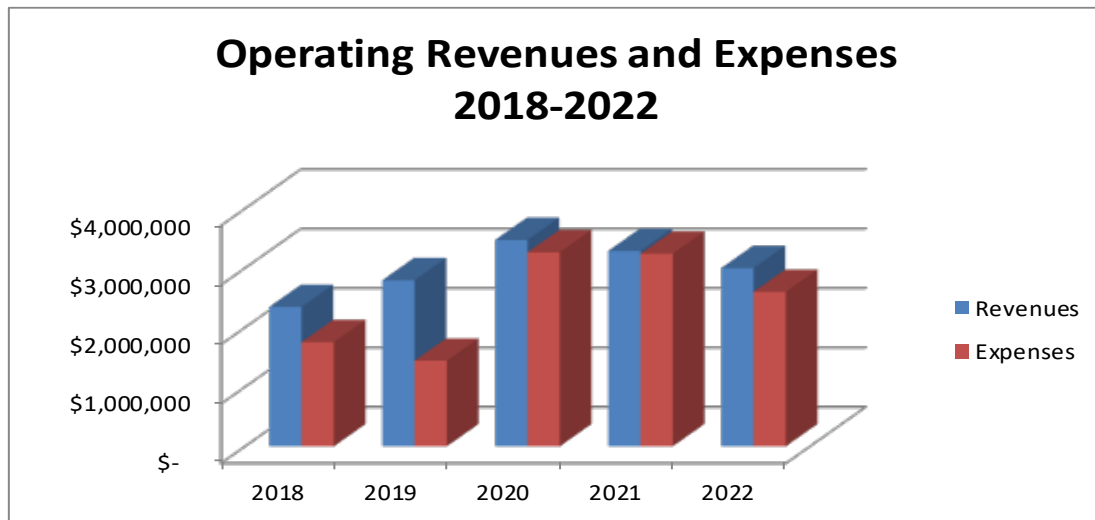
Statement of Revenues, Expenses and Changes in Net Position		
(in millions)		
	2022	2021
Operating Revenues	\$ 2.9	\$ 3.3
Operating Expenses	2.5	3.2
Operating income	0.4	0.1
Nonoperating expenses	-	(0.6)
Change in Net Position	0.4	(0.5)
Net Position beginning of year	30.0	30.5
Net Position end of year	\$ 30.4	\$ 30.0

A main component of operating expenses for the Authority are payments to various businesses under the Economic Development Investment Fund Program ("EDIP"), façade grants for business and small business development grants, these programs combined accounted for 40.25% of the total operating expenses. The EDIP provides incentives to businesses that qualify for the program with the intent of fostering the Authority's mission of economic development within the City.

The other main component of operating expenses for the Authority is the recognition of depreciation expense on the Authority's buildings, which totaled \$860,577 or 33.89% of total operating expenses in 2022.

Included within the calculation of the total net non-operating expenses is the interest paid on the debt related to the Health and Human Services building during fiscal year 2022. Interest expense decreased from the prior year for a total of \$58,694.

Financial Analysis (Continued)

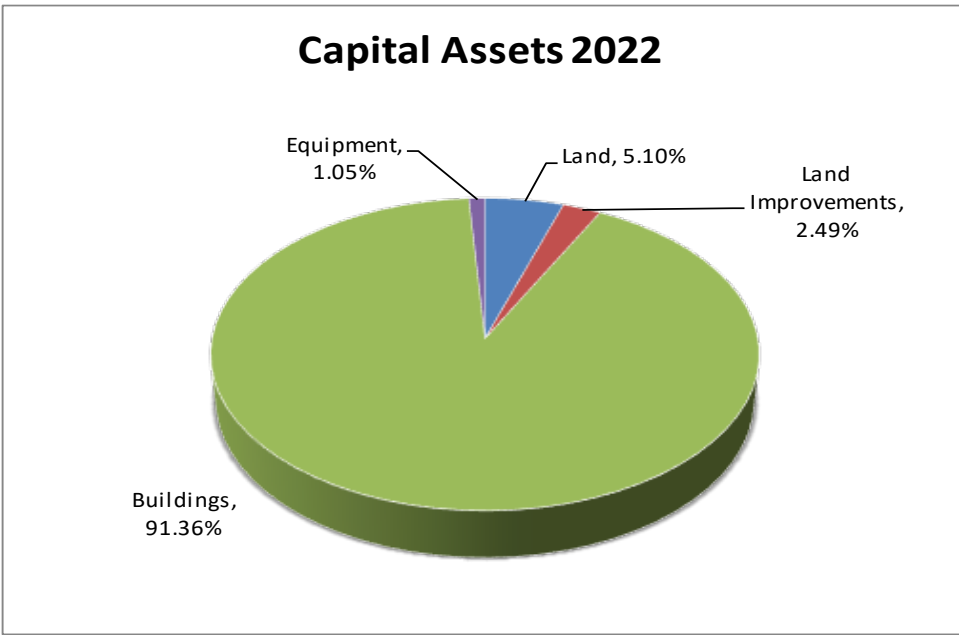


Capital Assets and Debt Administration

The Authority's investment in capital assets totals \$20,011,197 net of accumulated depreciation. This investment in capital assets includes the Hilton Garden Inn and Suffolk Conference Center and the Health and Human Services building.

Capital Assets (Net of Depreciation)		
	2022	2021
Land	\$ 1,021,162	\$ 1,021,162
Land Improvements	498,490	574,948
Buildings	18,283,000	19,014,983
Equipment	208,545	-
Total	<u>\$ 20,011,197</u>	<u>\$ 20,611,093</u>

Capital Assets and Debt Administration (Continued)



Additional information on the Authority’s capital assets can be found in Note 4.

At the end of the current year, the Authority had outstanding debt in the amount of \$4,350,178.

Outstanding Debt		
	2022	2021
Lease Revenue Bonds	\$4,141,000	\$5,239,000
Equipment Lease	209,178	-
TOTAL	\$4,350,178	\$5,239,000

Additional information on the Authority’s debt can be found in Note 6.

Economic Factors

The Authority’s purpose is to promote and foster economic activity in the City. Factors that affect the Authority’s ability to do so include interest rates, unemployment, and continued contributions from the City. Over the last several years, the Authority has seen positive trends in these areas effecting economic conditions.

The Authority had a positive year promoting economic activity in the City. Through the use of the Local Economic Development Investment Fund Program, the Authority assisted five companies in expanding and locating within the City, thereby creating investment in the City and employment. Additionally, the Authority assisted four businesses with façade improvements through the façade program and another two businesses with a downtown development grant.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning this report or requests for additional information should be directed to the Authority's Deputy Secretary/Treasurer, Post Office Box 1858, Suffolk, Virginia 23439.

Basic Financial Statements

EXHIBIT 1

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
A Component Unit of the City of Suffolk, Virginia
Statement of Net Position
June 30, 2022**

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 6,133,044
Accounts receivable	30,652
Leases receivable	1,151,556
Land and improvements held for sale (Note 3)	<u>6,609,576</u>
Total current assets	<u>13,924,828</u>

Noncurrent assets:

Cash and cash equivalents - restricted (Note 2 and 8)	2,123,878
Leases receivable	17,587,831
Capital assets (Note 4)	
Nondepreciable	1,021,162
Depreciable, net of accumulated depreciation	<u>18,990,035</u>
Total noncurrent assets	<u>39,722,906</u>
Total assets	<u>53,647,734</u>

Deferred outflows of resources:

Deferred charge on refunding	<u>57,892</u>
Total deferred outflows	<u>57,892</u>

LIABILITIES

Current liabilities:

Accounts payable	29,681
Deposits	2,500
Due to the Primary Government (Note 5)	239,255
Current portion of long-term liabilities (Note 6)	1,161,818
Accrued interest payable, restricted	<u>14,839</u>
Total current liabilities	<u>1,448,093</u>

Noncurrent liabilities:

Long-term liabilities (Note 6)	<u>3,188,360</u>
Total noncurrent liabilities	<u>3,188,360</u>
Total liabilities	<u>4,636,453</u>

Deferred inflows of resources

Deferred inflows for Leases	<u>18,631,634</u>
Total deferred inflows	<u>18,631,634</u>
Total Liabilities and deferred inflows	<u>23,268,087</u>

NET POSITION

Net investment in capital assets	15,661,019
Restricted	2,109,039
Unrestricted	<u>12,667,481</u>
Total net position	<u><u>\$ 30,437,539</u></u>

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

EXHIBIT 2

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022**

OPERATING REVENUES

Bond maintenance fees	\$ 236,374
Lease revenues	1,406,848
Lease interest income	270,200
Contributions from the City	962,082
Public facilities rebates	109,661
Miscellaneous	11,991
	<hr/>
Total operating revenues	2,997,156

OPERATING EXPENSES

Economic development incentives	962,082
Small Business CDL program	20,000
Façade program	40,000
Advertising and special events	18,637
Property maintenance	617,390
Professional fees	15,560
Depreciation and amortization	860,577
Miscellaneous	5,205
	<hr/>
Total operating expenses	2,539,451
	<hr/>
Operating income	457,705

NONOPERATING REVENUES (EXPENSES)

Interest income	8,282
Interest expense	(58,694)
	<hr/>
Total nonoperating expenses, net	(50,412)
	<hr/>
Change in net position	407,293

Net position beginning at July 1	<hr/> 30,030,246
Net position ending at June 30	<hr/> <hr/> \$ 30,437,539

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

EXHIBIT 3

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
A Component Unit of the City of Suffolk, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2022**

OPERATING ACTIVITIES

Receipts from lessees	\$ 1,569,295
Bond maintenance fees	234,769
City contribution	1,186,370
Other operating receipts	129,362
Economic incentive payments	(1,172,081)
Payments to suppliers for goods and services	<u>(686,454)</u>
Net cash provided by operating activities	<u>1,261,261</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Interest expense	(46,472)
Principal paid on debt	<u>(1,149,503)</u>
Net cash used in capital and related financing activities	<u>(1,195,975)</u>

INVESTING ACTIVITIES

Interest income	<u>8,282</u>
Net cash provided by investing activities	<u>8,282</u>
Net increase in cash and cash equivalents	73,568

CASH AND CASH EQUIVALENTS

Beginning July 1	<u>8,183,354</u>
Ending June 30	<u><u>\$ 8,256,922</u></u>

RECONCILIATION TO STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 6,133,044
Cash and cash equivalents, restricted	<u>2,123,878</u>
	<u><u>\$ 8,256,922</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 457,705
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	860,577
Changes in assets and liabilities and deferred inflows of resources:	
Decrease in accounts receivables	231,998
Increase in lease receivables	(107,753)
Decrease in Accounts payable and accrued liabilities	(179,661)
Decrease in Unearned revenues	<u>(1,605)</u>
Net cash provided by operating activities	<u><u>\$ 1,261,261</u></u>

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

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Economic Development Authority of the City of Suffolk, Virginia (“Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City of Suffolk, Virginia (“City”) in 1969, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Chapter 33, Section 15.1-1373 *et seq.*, of the *Code of Virginia* (1950) as amended). The Authority is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in within the City.

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

For financial reporting purposes, the Authority is a discretely presented component unit of the City mainly because its members are appointed by the City Council and the City provides significant funding to the Authority; thus, the City is financially accountable for the Authority.

Measurement focus and basis of accounting:

The accompanying financial statement report the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Because the Authority is a political subdivision of the Commonwealth of Virginia, the preparation of these financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (“GASB”). The Authority’s financial statements are prepared on an enterprise fund basis and present operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Authority’s operations are accounted for on an economic resources measurement focus wherein all assets and liabilities, whether current or noncurrent, are included in its Statement of Net Position. Enterprise fund operating statement presents increases (revenues) and decreases (expenses) in fund equity (net position) utilizing the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting (continued):

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are sale of property held for resale, bond maintenance fees, receipts for pass-through grants to industries, economic development incentive payments received from the primary government and lease revenue. Operating expenses include contributions to industries, administrative expenses, return of hotel proceeds to the City, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents:

The Authority's cash and cash equivalents (including restricted cash) are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

Accounts receivable:

The balance in the accounts receivable represents rents receivable from the Department of Social Services for rent of the office building, as well as amounts receivable related to conduit bond maintenance fees. The receivable balance also includes amounts related to a reimbursement of pandemic related expenses.

Land and improvements held for sale:

The cost of land (including acquisition costs) is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Improvement and amenity costs, if not attributable to a specific lot, are allocated based on acreage. Land or improvements donated to the Authority are recorded at acquisition value on the date of donation. Items held for sale are valued at the lower of cost or market.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Leases receivable:

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The lease terms do not contain any provisions for variable lease payments.

A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital assets:

Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	20 years
Equipment	10 years

Right to use assets:

The Authority has recorded a right to use lease assets as a result of implementing GASB 87, *Leases*. The right to use asset is initially measured as an amount equal to the initial measurement of the related lease liability. The right to use asset is amortized on a straight –line basis over the life of the related lease.

Economic development incentives payable:

Performance grant payables are recorded when, in management's opinion, it is unlikely that the grantee will fail to meet the performance criteria. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Net position:

Net position is the difference between assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any. Net investment in capital assets represents capital assets, less accumulated depreciation, and any outstanding debt related to the acquisition, construction or improvement of said assets. Restricted net position represents funds reserved for repair and replacement of, as well as funds accumulated for the repayment of bonds issued for construction of the health and human services building.

Estimates:

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

Deferred Outflows of Resources:

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will be recognized as an expense or expenditure until then. The Authority's deferred outflow of resources consists of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The deferred outflow is being amortized over the remaining life of the refunded debt.

Deferred Inflows of Resources:

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has reported a deferred inflow of resources related to leases receivable.

Change in Accounting Principle

The following GASB statements are effective for the year ending June 30, 2022:

GASB Statement No. 87, *Leases*, Improves the accounting and financial reporting for leases entered into. This statement is effective for fiscal year ending June 30, 2022. The Authority has leases both as a lessor and as a lessee. The implementation of this statement has an impact on the balance sheet with the addition of a long-term receivable and related deferred inflow of resources, as well as the notes related to the leases. In addition, an equipment lease has been added to the long term liabilities, and a corresponding right-to-use asset to the fixed assets.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 1. Summary of Significant Accounting Policies (Concluded)

Change in Accounting Principle (continued)

GASB Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*, which required that interest incurred prior to the end of construction period be recognized as an expense in the period in which the cost is incurred. The Authority does not have any debt for which interest was capitalized, the implementation of this standard has no effect on the financial statements of the Authority.

GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting, and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of this standard has no effect on the financial statements of the Authority.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, addresses the accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). Implementation of this standard has no effect on the financial statements of the Authority.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, the objectives of which are (1) to increase the consistency and comparability related to the reporting of fiduciary component units in certain circumstances, (2) mitigate costs associated with the reporting of certain defined contribution pensions plans and other employee benefit plans, and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for IRS code section 457 deferred compensation plans. The implementation of this standard has no effect on the financial statements of the Authority.

Note 2. Cash and Cash Equivalents

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 2. Cash and Cash Equivalents (continued)

The following is a summary of restricted cash as of June 30, 2021:

Health and Human Services – repair and replacement reserve: \$ 2,123,878

These amounts, offset by the related amounts payable from restricted cash, are also included in restricted net position. This amount is restricted for debt service and eligible maintenance projects, as defined by the related debt and lease agreements.

Note 3. Land and Improvements Held for Sale

Land and improvements held for sale consists of the following:

	<u>Acreage</u>		<u>Carrying Value</u>
Wilroy Industrial Park	5.48	\$	38,370
Suburban Drive	29.4		240,006
Suffolk Industrial Park	74.77		1,083,500
TCC Site	21.65		2,539,400
Northgate Commerce Park	37.37		1,868,500
1900 North Main (former Obici site)	3.77		839,800
	<u>172.44</u>	\$	<u>6,609,576</u>

Certain proceeds from the sale of these assets are required to be paid to the City (see Note 5).

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 4. Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not depreciated:				
Land	\$ 1,021,162	\$ -	\$ -	\$ 1,021,162
Capital Assets, depreciated				
Land Improvements	1,734,061	-	-	1,734,061
Conference Center and Hotel	14,337,217	-	-	14,337,217
HHS Building	14,942,123	-	-	14,942,123
Equipment	265,390	-	-	265,390
Right to use asset - leased equipment	-	260,681	-	260,681
Total Capital Assets, Depreciated	31,278,791	260,681	-	31,539,472
Less Accumulated Depreciation/Amortization for:				
Land Improvements	1,159,113	76,458	-	1,235,571
Conference Center and Hotel	5,904,901	358,430	-	6,263,331
HHS Building	4,359,456	373,553	-	4,733,009
Equipment	265,390	-	-	265,390
Right to use asset - leased equipment	-	52,136	-	52,136
Total Accumulated Depreciation/Amortization	11,688,860	860,577	-	12,549,437
Total Capital Assets, Depreciated, net	19,589,931	(599,896)	-	18,990,035
Total Capital Assets, net	\$ 20,611,093	\$ (599,896)	\$ -	\$ 20,011,197

Note 5. Due To Primary Government and Related Party Transactions

Due to Primary Government consists of \$239,255 borrowed from the City through a long-term advance. These amounts will be repaid upon the sale of the Suburban Drive property.

The City provides personnel and office space to the Authority at no charge.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 6. Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Lease Revenue Bond	\$ 5,239,000	\$ -	\$ 1,098,000	\$ 4,141,000	\$ 1,110,000
Equipment Lease (note 8)	-	260,681	51,503	209,178	51,818
	<u>\$ 5,239,000</u>	<u>\$ 260,681</u>	<u>\$ 1,149,503</u>	<u>\$ 4,350,178</u>	<u>\$ 1,161,818</u>

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

Fiscal Year	Lease Revenue Bond		Equipment Lease	
	Principal	Interest	Principal	Interest
2023	\$ 1,110,000	\$ 35,613	\$ 51,818	\$ 1,102
2024	1,115,000	26,067	52,134	786
2025	1,126,000	16,478	52,452	468
2026	790,000	6,794	52,774	147
	<u>\$ 4,141,000</u>	<u>\$ 84,952</u>	<u>\$ 209,178</u>	<u>\$ 2,503</u>

A \$15,750,000 lease revenue bond was issued on May 1, 2008 for the construction of the Health and Human Services building. The 2008 lease revenue bond was refunded by the issuance on December 18, 2014 of an \$11,860,000 refunding lease revenue bond. The 2014 bond has a maturity date of February 1, 2026 with interest payable semi-annually of 2.65%. The 2014 bond was refunded by the issuance on November 5, 2020 of an \$6,289,000 refunding lease revenue bond. The 2020 bond has a maturity date of February 1, 2026 with interest payable semi-annual of 0.86%. The difference in the carrying value of the old bonds and the value of the new debt is shown as a deferred charge on refunding and will be amortized over the life of the old debt.

Note 7. Conduit Debt Transactions

One key activity of the Authority represents “pass-through” leases wherein lease agreements provide for periodic rental payments in amounts equal to the principal and interest due on the related bonds. The Authority assigns all rights to the rental payments to the trustees of the bondholders and the lessees assume responsibility for all operating costs (i.e., utilities, repairs, and property taxes) of the leased properties. Therefore, in such cases, the Authority neither receives the rental income nor disburses funds for debt service or operating expenses. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Furthermore, in the event of default by the lessee, the holders of the bonds

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 7. Conduit Debt Transactions (continued)

have no recourse against the Authority, but must look to the property and lessee for indemnity. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Authority charges a bond maintenance fee for administering this program. As of June 30, 2022, the aggregate principal amount payable of these conduit revenue bonds outstanding was \$115,958.

Note 8. Leases

The discount rate for all leases (both lessor and lessee) is based on the average of the City's Municipal Market Data (MMD) rate. The discount rates assigned to each lease is the average of MMD rate from 7/1/2021 – 02/01/2022 based on the number of years of the lease.

Lessor:

On August 28, 2003, the Authority entered into a fifty-year lease agreement with a private company to lease the Suffolk Hilton Garden Inn hotel and the Suffolk Conference Center with annual rent payments of \$5,000 each. The lessee shall have the right and option to extend the term for four consecutive periods of ten years each followed by one period of nine years. The lease calls for additional rental payments based on the hotel's balance of net cash flows. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

On May 1, 2009, the Authority entered into a lease agreement with the Commonwealth of Virginia, Department of General Services for use of the Health and Human Service Building. The lease calls for monthly payments of \$34,379. The lease term is scheduled to expire after 18 years, on April 30, 2027. Additional rental terms include additional rent for the tenant's pro rata share of annual operating expenses. The agreement also includes a settle-up between the Authority and the lessee for any shortfalls in annual periodic operating expense reimbursements, when compared to actual costs. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

On June 1, 2009, the Authority amended the original lease agreement dated September 1, 2008 between the City and the Virginia Department of Social Services for the Health and Human Services building. The amended lease calls for annual lease payments of \$891,456 from the Virginia Department of Social Services and \$412,548 from the City. This is a 20-year lease with a termination date of May 31, 2029. Additional rental terms include \$50,000 a year for a repair and replacement reserve fund until the fund reaches \$500,000 and additional rent for the tenant's pro rata share of annual operating expenses. The repair and replacement reserve is included in restricted cash and cash equivalents and restricted net position. The agreement also includes a settle-up between the Authority and the lessees for any shortfalls in annual periodic operating expense reimbursements, when compared to actual costs. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 8. Leases (Continued)

Lessor (Continued):

The future lease revenue and interest as of June 30, 2022, are as follows:

Fiscal Year:	Principal	Interest
2023	\$1,151,556	\$257,557
2024	1,151,556	244,746
2025	1,151,556	231,765
2026	1,151,556	218,612
2027	1,084,250	205,350
2028 – 2032	3,738,580	862,422
2033 – 2037	3,738,580	581,575
2038 – 2042	3,738,580	279,088
2043 – 2047	1,559,333	41,421
2048 – 2052	29,928	24,733
2053 – 2057	29,928	22,656
2058 – 2062	29,928	20,408
2063 – 2067	29,928	17,975
2068 - 2072	29,928	15,342
2073 – 2077	29,928	12,492
2078 – 2082	29,928	9,408
2083 – 2087	29,928	6,071
2088 – 2092	29,928	2,459
2093	4,488	39
TOTAL	\$18,739,387	\$3,054,119

Lessee:

The Authority has entered into an agreement to lease certain equipment. This agreement qualifies as other than short-term leases under GASB 87 and, therefore have been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement was entered into as of July 1, 2021, to lease a generator and requires 60 monthly payments of \$4,410. There are no variable payment components of this lease. The Authority has recorded a right to use asset with a net book value of \$208,545 at June 30, 2022.

See the maturity analysis in footnote 6.

Note 9. Commitments and Contingencies

As of June 30, 2022, four Economic Development Investment Fund program agreements remain in place with outstanding commitments for future company investment and corresponding payment responsibilities from the Authority approximating \$877,000.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2022**

Note 10. New Accounting Standards

The GASB has issued the following statements, which are not yet effective.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issue and eliminates diversity in practice. This statement would have been effective for the fiscal year ending June 30, 2022; however, with the implementation of GASB Statement No. 95, this has been delayed to fiscal year ending June 30, 2023.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, the primary objective of which is to improve financial reporting by addressing issues related to the Public-private and Public-public partnership arrangements. This statement is effective for the fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscriptions-based information technology arrangements for government end users. This statement is effective for the fiscal year ending June 30, 2023.

Management has not yet evaluated the effects, if any, of adopting these standards and implementation guides, but does not expect them to have a material impact on the financial statements.

Note 11. Litigation

At any point in time various claims and lawsuits are pending against the Authority. In the opinion of legal counsel, resolution of these cases would not involve a material liability.

OTHER INFORMATION

Table 1

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Last Ten Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Revenues										
Hotel Revenues										
Hotel Lease Revenues	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Public Facility Rebate	83,949	100,099	100,321	100,113	126,972	98,376	93,011	80,210	68,380	109,661
HHSB Revenues										
Health and Human Services Lease	1,558,192	1,565,390	1,581,343	1,608,481	1,609,310	1,586,087	1,602,749	1,661,167	1,635,269	1,665,948
Other Lease Revenues										
NCP Lease Revenues	4,800	1,100	-	1,100	1,100	1,100	1,100	1,100	1,100	1,100
55 Acre Site Lease	-	-	-	-	-	4,000	-	-	-	-
Obici Site Lease	800	800	-	-	-	9,000	241,000	-	-	-
Other Revenues										
Bond Maintenance Fees	149,043	145,019	146,394	143,909	144,767	148,744	146,654	142,961	27,550	236,374
Façade Program	45,740	-	-	-	-	-	-	-	-	-
Gain on Sale of Land and Easements	-	-	47,886	-	-	-	-	-	-	-
Contributions from Municipality (EDIP)	880,750	1,306,061	2,665,400	1,717,079	1,600,000	486,808	346,738	1,576,250	1,245,716	962,082
Contributions from the State	-	-	200,000	-	1,000,000	-	45,000	-	-	-
Miscellaneous	30,772	46,641	45,254	650	441	-	307,111	696	298,497	11,991
Total Operating Revenues	2,764,046	3,175,110	4,796,598	3,581,332	4,492,590	2,344,115	2,793,363	3,472,384	3,286,512	2,997,156
Operating Expenses										
Hotel Expenses										
Payment to Municipality	93,949	110,099	-	-	-	-	-	-	-	-
Property Maintenance	-	-	-	-	-	-	-	118,315	97,000	-
Depreciation Expense	414,399	414,399	414,400	414,399	414,399	414,399	414,399	414,399	414,400	414,399
HHSB Expenses										
Professional Fees	-	-	-	-	-	-	-	-	37,500	-
Property Maintenance	237,368	259,328	248,441	293,778	269,342	295,881	308,814	355,402	403,091	422,935
Depreciation Expense	400,092	400,092	400,093	400,092	394,042	394,042	394,043	394,042	394,042	425,689
Other Expenses										
Economic Development Incentives	802,000	1,301,100	2,865,400	1,706,750	2,600,000	486,808	165,000	1,561,738	400,293	962,082
Technology Zone Grant	-	4,961	-	10,329	-	-	-	-	-	-
Small Business CDL	-	-	-	-	-	-	14,846	30,000	45,000	20,000
Small Business COVID assistance	-	-	-	-	-	-	-	190,500	1,045,423	-
Façade Program	12,234	-	118,458	27,111	30,000	26,420	20,000	40,077	265,340	40,000
Advertising and special events	26,937	83,565	30,915	33,095	13,281	13,115	21,828	24,965	2,693	11,637
Contribution to Local Organizations	-	-	-	7,000	7,000	7,000	-	7,000	7,000	7,000
Contribution to City	-	-	-	-	6,932	-	-	-	-	-
Professional Fees	13,950	20,928	150,663	10,121	650	33,487	56,921	21,604	16,910	15,560
Property Maintenance	26,156	75,836	272,907	125,978	32,053	40,819	21,655	100,288	106,478	194,455
Depreciation Expense	20,489	20,489	20,489	20,490	26,539	26,539	15,481	-	-	20,489
Miscellaneous	4,732	4,271	4,619	7,180	7,048	13,682	6,502	5,473	4,305	5,205
Total Operating Expenses	2,052,306	2,695,069	4,526,385	3,056,323	3,801,286	1,752,192	1,439,489	3,263,803	3,239,475	2,539,451
Operating income	711,740	480,041	270,213	525,009	691,304	591,923	1,353,874	208,581	47,037	457,705
Non-Operating Revenues (Expenses)										
Interest Income	3,550	5,322	11,189	7,876	1,671	8,940	9,883	13,444	10,826	8,282
Capital Contributions from Municipality	4,528,560	-	-	-	-	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	(32,370)	(32,370)	(32,370)	(32,370)	(45,418)	(16,156)
Interest Expenses	(516,552)	(476,246)	(321,361)	(312,398)	(256,034)	(231,378)	(206,059)	(180,079)	(50,709)	(42,538)
Loss on sale of land held for resale	-	-	-	(1,962,169)	-	-	-	(499,620)	-	-
Unrealized loss on Land held for Sale	-	(515,111)	-	(537,765)	(1,174,383)	-	-	-	(454,574)	-
Unrealized gain on Land held for Sale	-	-	-	-	-	-	-	537,764	-	-
Total Non-Operating Expenses, net	4,015,558	(986,035)	(310,172)	(2,804,456)	(1,461,116)	(254,808)	(228,546)	(160,861)	(539,875)	(50,412)
Change in Net Position	\$ 4,727,298	\$ (505,994)	\$ (39,959)	\$ (2,279,447)	\$ (769,812)	\$ 337,115	\$ 1,125,328	\$ 47,720	\$ (492,838)	\$ 407,293

Source: EDA Financial statement for respective year

Table 2

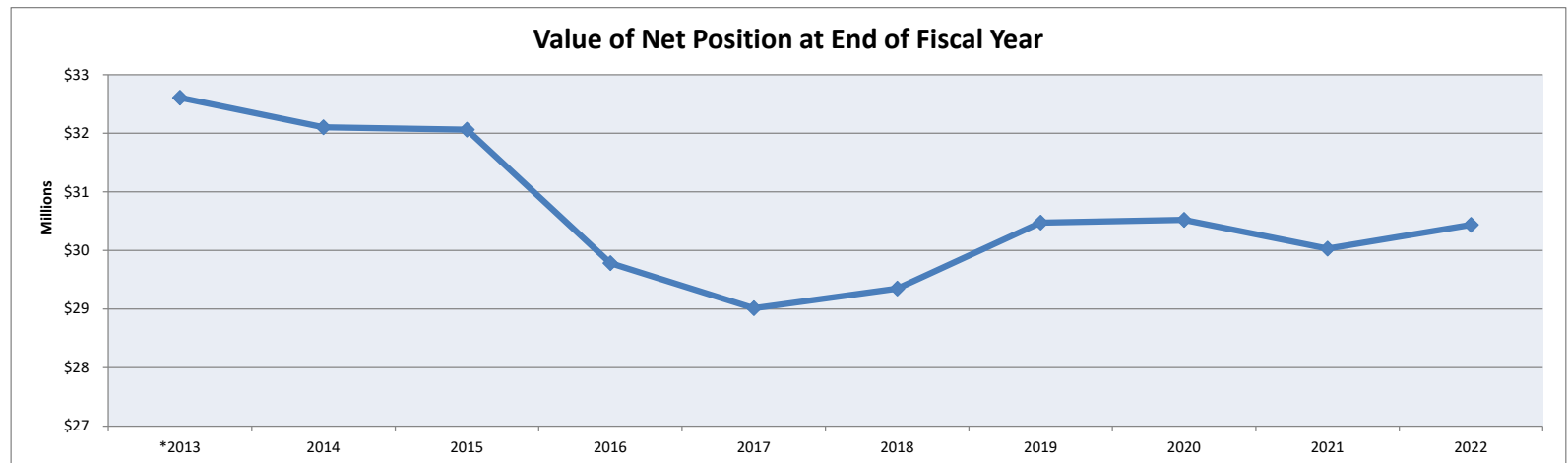
ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA

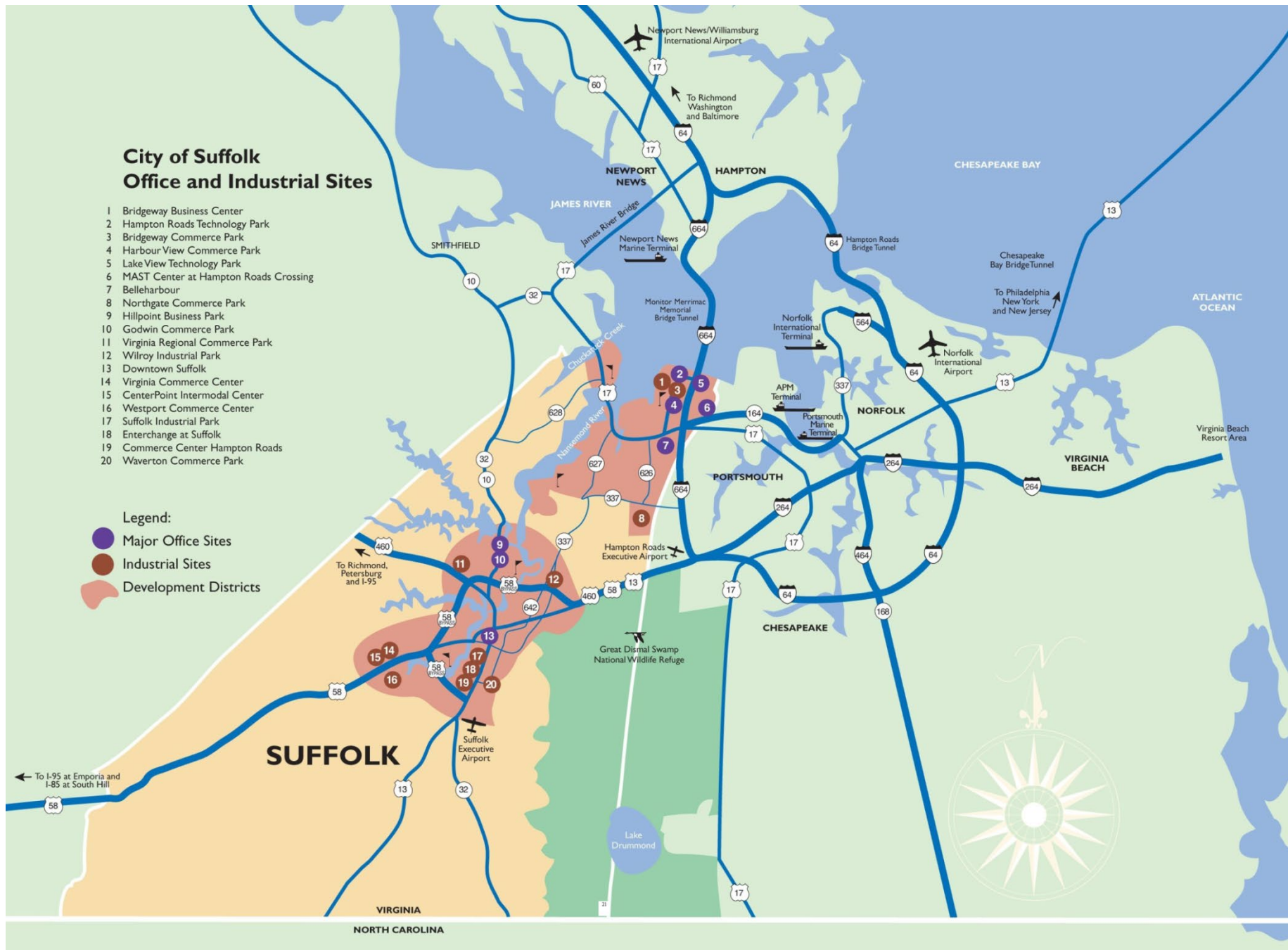
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	*2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net investment in capital assets	\$ 14,795,543	\$ 14,748,100	\$ 14,521,744	\$ 14,608,302	\$ 14,719,860	\$ 14,856,419	\$ 15,017,977	\$ 15,255,788	\$ 15,446,141	\$ 15,661,019
Restricted	1,149,011	1,102,675	1,363,251	1,364,363	1,628,459	1,454,359	1,019,291	1,959,363	2,096,250	2,109,039
Unrestricted	16,663,577	16,251,361	16,177,184	13,810,067	12,664,601	13,039,257	14,438,095	13,307,932	12,487,854	12,667,481
Total net position	\$ 32,608,131	\$ 32,102,136	\$ 32,062,179	\$ 29,782,732	\$ 29,012,920	\$ 29,350,035	\$ 30,475,363	\$ 30,523,083	\$ 30,030,245	\$ 30,437,539

* As restated

Source: EDA financial statements for respective year





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
City of Suffolk, 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 the City of Suffolk, Virginia (the “Authority”), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 23, 2022.

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 may exist that have not been identified.

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* and one instance of noncompliance that is required to be reported under the Specifications.

Criteria:

The Code of Virginia, Section 2.2-3115 requires that new local officials file disclosure forms prior to assuming office or taking employment.

Statement of Condition:

While performing our audit procedures to ensure compliance with Section 2-8 of the *Specifications for Audits of Authorities, Boards, and Commissions*, for a population of nine (9) tested, we noted one (1) Statement of Economic Interest forms for newly appointed Directors were not completed and filed prior to assuming their position.

Cause:

Procedures were not in place to ensure the report was properly signed, completed, and filed on time.

Effect or Potential Effect:

The Authority is not in compliance with the State's conflict of interest disclosure filing requirement.

Auditor's Recommendation:

We recommend a procedure be put in place to ensure the reports for all local officials are properly signed, completed, and filed before any new appointees assume their Board position.

Management's Response:

Management is aware that there was an issue with the filing of the statement of economic interest statements by the deadline and will continue to have the City Clerk's office contact the Board members prior to the deadline.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described herein. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Virginia Beach, Virginia
November 23, 2022



YesSuffolk