

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

**FINANCIAL REPORT**

**June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors of the  
Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Richmond, Virginia

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia (the Authority), a component unit of the City of Richmond, 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the Economic Development Authority of the City of Richmond, Virginia, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Economic Development Authority of the City of Richmond, Virginia, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Change in Accounting Principle*

As described in Notes 2, 6, and 8 to the financial statements, in 2022, the Authority adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

As described in Note 15 to the financial statements, the previously issued financial statement for the year ended June 30, 2021, have been restated for the correction of a material misstatement in that period. Our opinion is not modified with respect to the matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 12, 2022

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

Management's Discussion and Analysis of the financial performance of the Economic Development Authority of the City of Richmond, Virginia (Authority) provides an overview of the financial activities for the year ended June 30, 2022. It should be read in conjunction with the financial statements.

Overview of the Financial Statements

The Authority receives operating funds from the rental of a parking garage, manages the operations of the training facility on Leigh Street, and leases certain property under a capital lease arrangement for the operation and future expansion of a brewery. It also manages loan portfolios of the City of Richmond, Virginia.

Government-Wide Statement of Net Position

Following is a condensed statement of net position showing the net position of the Authority at June 30:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>(As Restated) 6/30/2021</u>	<u>6/30/2022</u>	<u>(As Restated) 6/30/2021</u>
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 10,676,682	\$ 10,303,519	\$ 10,676,682	\$ 10,303,519
Capital assets, net	142,165	159,249	11,200,295	11,437,970	11,342,460	11,597,219
Leased capital assets, net	-	-	1,476,580	-	1,476,580	-
Other assets	-	-	31,056,799	31,337,005	31,056,799	31,337,005
Total assets	<u>\$ 142,165</u>	<u>\$ 159,249</u>	<u>\$ 54,410,356</u>	<u>\$ 53,078,494</u>	<u>\$ 54,552,521</u>	<u>\$ 53,237,743</u>
Liabilities:						
Current liabilities	\$ -	\$ -	\$ 1,058,697	\$ 1,411,135	\$ 1,058,697	\$ 1,411,135
Lease payable	-	-	1,469,283	-	1,469,283	-
Recoverable grant payable	-	-	24,885,000	26,115,000	24,885,000	26,115,000
Total liabilities	-	-	27,412,980	27,526,135	27,412,980	27,526,135
Deferred inflows of resources	-	-	380,065	-	380,065	-
Net position	<u>142,165</u>	<u>159,249</u>	<u>26,617,311</u>	<u>25,552,359</u>	<u>26,759,476</u>	<u>25,711,608</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 142,165</u>	<u>\$ 159,249</u>	<u>\$ 54,410,356</u>	<u>\$ 53,078,494</u>	<u>\$ 54,552,521</u>	<u>\$ 53,237,743</u>

There was an increase in cash and cash equivalents of \$373,163 primarily due to funds received from the City of Richmond.

There was a decrease in net capital assets of \$254,759, primarily due to depreciation expense.

There was an increase in net leased capital assets of \$1,476,580 due to the implementation of GASB 87, *Leases*.

There was a decrease in other assets of \$280,086, which is primarily due the decrease in the balance owed to the Authority from the City and the increase in the loans receivable balance over prior year.

There was a decrease in current liabilities of \$352,438, primarily due to a \$348,039 decrease in deferred revenue related to federal CARES funding received in advance in the prior year that were expended by the Authority or returned to the City of Richmond during the current year.

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

Government-Wide Statement of Net Position (Continued)

The increase in lease payable was due to the implementation of the new lease standard that was effective for the fiscal year ended June 30, 2022.

There was a decrease in recoverable grant payable of \$1,230,000, due to the payments made on the recoverable grants payable to the City of Richmond related to the Stone Brewery and Leigh Street projects.

Government-Wide Statement of Activities

Condensed statements of activities for fiscal years ended June 30 are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2021</u>
Revenues:						
Grant from the City of Richmond	\$ -	\$ -	\$ 246,929	\$ 7,473,191	\$ 246,929	\$ 7,473,191
Rental income	-	-	790,384	845,219	790,384	845,219
Loan administration fees	-	-	36,290	36,188	36,290	36,188
Bond and other fees	-	-	49,332	2,503	49,332	2,503
Loan program income	-	-	453,079	441,682	453,079	441,682
Sponsorship fees	-	-	-	222,507	-	222,507
Interest on capital lease	-	-	1,208,851	1,135,624	1,208,851	1,135,624
Other	-	-	775,689	380,996	775,689	380,996
Total revenues	-	-	3,577,966	10,537,910	3,577,966	10,537,910
Expenses:						
Economic development incentives	-	-	56,929	1,519,084	56,929	1,519,084
Federal CARES grants	-	-	190,000	6,295,153	190,000	6,295,153
Grant repaid to the State	-	-	101	750,000	101	750,000
Other grants and rebates	-	-	280,208	212,073	280,208	127,374
Building operations and maintenance	-	-	323,353	304,069	323,353	304,069
Depreciation	17,084	478,987	321,300	323,581	338,384	802,568
Interest	-	-	773,839	1,021,501	773,839	1,021,501
Other	-	-	567,284	838,454	567,284	838,454
Total expenses	17,084	478,987	2,513,014	11,263,915	2,530,098	11,742,902
Change in net position	\$ (17,084)	\$ (478,987)	\$ 1,064,952	\$ (726,005)	\$ 1,047,868	\$ (1,204,992)

Grant revenue from the City of Richmond, Virginia and other grants was less than grant expenses due to a timing difference between receipt of the grant revenue from the City in the prior year and disbursement to the qualifying businesses in the current year, combined with pending reimbursement requests outstanding from the City at year-end. Grant activity from the City of Richmond was significantly lower, by \$7,226,262 in FY22 as compared to FY21 due to the influx of local and federal CARES funding from the City distributed to local businesses and organizations by the Authority in the prior year. Grant repaid to the State decreased by \$749,899. This was due to a local business that had previously received economic development incentives moved its location out of the City in the prior year. As a result, the Authority was responsible for returning funding back to the state agency from which the funding had ultimately been received.

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**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA**  
**(A Component Unit of the City of Richmond, Virginia)**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**June 30, 2022**

Government-Wide Statement of Activities (Continued)

The Authority has maintained its lending programs, which are operated in coordination with the City of Richmond’s Department of Economic Development. Operational costs of the programs are covered by the City. Any losses sustained in the lending programs are absorbed by the City or the relevant funding partner. The Authority receives fees adequate to cover its costs as well as audit fees associated with these activities. In summary, the outlook for the lending programs is favorable. The Authority can reasonably expect that its costs will continue to be covered.

Accomplishments and Economic Outlook

During the year ended June 30, 2022, the Authority supported the work of the City’s Department of Economic Development to attract over \$552 million in capital investment and 2,230 new jobs to the City of Richmond. The Authority’s administration of both local and state discretionary performance incentives assists in making these accomplishments possible. Several of which include:

- CoStar Group’s \$460 million campus expansion in Downtown Richmond that will create 2,000 new jobs;
- Intact Technology opening a new office in Richmond that will create 125 new jobs; and
- Thermo Fisher opening a new facility in the Bio+Tech Park that will create 48 new jobs.

The Authority also serviced the Commercial Area Revitalization Effort (CARE) Program for the City of Richmond. The CARE Program is designed to revitalize and return economic viability to older neighborhood districts, primarily in the City’s low and moderate-income communities. The Extra CARE Program operates in non-CARE commercial areas in need of revitalization and/or stabilization. There were 18 CARE and Extra CARE rebates disbursed totaling \$310,596 during FY2022. This public investment figure stimulated more than \$5.5 million in private investment.

Requests for information

This financial report is intended to provide a general overview of the Authority’s finances. Any questions regarding this report or requests for additional financial information should be addressed to the Authority at 1500 East Main Street, Suite 400, Richmond, Virginia 23219.



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION**  
**June 30, 2022**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 4)	\$ -	\$ 10,676,682	\$ 10,676,682
Due from the City (Note 12)	-	119,692	119,692
Other current assets	-	59,487	59,487
Financed purchase notes receivable, current portion (Note 5)	-	573,581	573,581
Lease receivable, current portion (Note 6)	-	333,699	333,699
Total current assets	<u>-</u>	<u>11,763,141</u>	<u>11,763,141</u>
<b>NONCURRENT ASSETS</b>			
Nondepreciable capital assets (Note 7)	142,165	1,524,874	1,667,039
Depreciable capital assets, net (Note 7)	-	9,675,421	9,675,421
Leased capital asset, net (Note 7)	-	1,476,580	1,476,580
Financed purchase notes receivable, less current portion (Note 5)	-	19,395,675	19,395,675
Lease receivable, less current portion (Note 6)	-	56,959	56,959
Loans receivable, net (Note 10)	-	9,226,040	9,226,040
Accrued interest receivable	-	1,156,521	1,156,521
Other noncurrent assets	-	135,145	135,145
Total noncurrent assets	<u>142,165</u>	<u>42,647,215</u>	<u>42,789,380</u>
Total assets	<u>\$ 142,165</u>	<u>\$ 54,410,356</u>	<u>\$ 54,552,521</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ -	\$ 87,207	\$ 87,207
Due to the City (Note 12)	-	33,072	33,072
Accrued interest payable	-	82,878	82,878
Deposits and reserves	-	125,540	125,540
Current portion of recoverable grant payable (Note 14)	-	730,000	730,000
Total current liabilities	<u>-</u>	<u>1,058,697</u>	<u>1,058,697</u>
<b>NONCURRENT LIABILITIES</b>			
Lease payable (Note 8)	-	1,469,283	1,469,283
Recoverable grants payable (Note 14)	-	24,885,000	24,885,000
Total noncurrent liabilities	<u>-</u>	<u>26,354,283</u>	<u>26,354,283</u>
Total liabilities	<u>-</u>	<u>27,412,980</u>	<u>27,412,980</u>
<b>DEFERRED INLOWS OF RESOURCES</b>			
Leases (Note 6)	<u>-</u>	<u>380,065</u>	<u>380,065</u>
<b>NET POSITION</b>			
Net investment in capital assets	142,165	4,707,592	4,849,757
Restricted	-	6,489,175	6,489,175
Unrestricted	-	15,420,544	15,420,544
Total net position	<u>142,165</u>	<u>26,617,311</u>	<u>26,759,476</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 142,165</u>	<u>\$ 54,410,356</u>	<u>\$ 54,552,521</u>

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

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

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2022**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Rental and lease income	\$ -	\$ 790,384	\$ 790,384
Loan administration and other fees	-	36,290	36,290
Bond and other fees	-	49,332	49,332
Loan program income	-	453,079	453,079
Other	-	460,306	460,306
	<hr/>	<hr/>	<hr/>
Total operating revenues	-	1,789,391	1,789,391
	<hr/>	<hr/>	<hr/>
<b>OPERATING EXPENSES</b>			
Personnel	-	221,295	221,295
Professional services	-	77,346	77,346
Internet and telephone services	-	7,581	7,581
Building operations and maintenance	-	323,353	323,353
Other	-	195,823	195,823
Loan administrative fees	-	36,000	36,000
Amortization	-	29,239	29,239
Depreciation	17,084	321,300	338,384
	<hr/>	<hr/>	<hr/>
Total operating expenses	17,084	1,211,937	1,229,021
	<hr/>	<hr/>	<hr/>
Operating (loss) income	(17,084)	577,454	560,370
	<hr/>	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants from the City of Richmond (Note 12)	-	246,929	246,929
Federal CARES grants (Note 12)	-	(190,000)	(190,000)
Economic development incentives (Note 12)	-	(56,929)	(56,929)
Grant repaid to the State	-	(101)	(101)
Other grants and rebates (Note 10)	-	(280,208)	(280,208)
Contribution from the City (Note 12)	-	300,101	300,101
Interest on capital leases	-	1,208,851	1,208,851
Interest expense	-	(773,839)	(773,839)
Interest income	-	32,694	32,694
	<hr/>	<hr/>	<hr/>
Total non-operating revenues	-	487,498	487,498
	<hr/>	<hr/>	<hr/>
Change in net position	(17,084)	1,064,952	1,047,868
	<hr/>	<hr/>	<hr/>
<b>NET POSITION</b>			
Beginning of year (as restated) (Note 15)	159,249	25,552,359	25,711,608
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 142,165</u>	<u>\$ 26,617,311</u>	<u>\$ 26,759,476</u>

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

## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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

**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2022**

	<u><b>Theater Fund</b></u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ -
 <b>FUND BALANCE</b>	
Unassigned	\$ -
 <b>RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION</b>	
Total fund balance per Governmental Fund Balance Sheet	\$ -
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund:	
Capital assets, cost	14,512,067
Accumulated depreciation	<u>(14,369,902)</u>
	<u>142,165</u>
Net position of governmental activities	<u><u>\$ 142,165</u></u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
**Year Ended June 30, 2022**

	<u><b>Theater Fund</b></u>
OPERATING REVENUES	
Naming rights fees	\$ -
OPERATING EXPENDITURES	
Restoration grant	-
Change in fund balance	-
FUND BALANCE	
Beginning of year	-
End of year	\$ -

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO**  
**STATEMENT OF ACTIVITIES**

Change in fund balance, total governmental fund	\$ -
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:	
Depreciation expense	(17,084)
Change in net position of governmental activities	\$ (17,084)

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

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

**STATEMENT OF NET POSITION - ENTERPRISE FUNDS**  
**June 30, 2022**

	<b>Major Funds</b>				
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents (Note 4)	\$ 3,295,027	\$ 190,725	\$ 2,142,705	\$ 5,048,225	\$ 10,676,682
Due from the City (Note 12)	119,692	-	-	-	119,692
Financed purchase notes receivable, current portion (Note 5)	8,866	-	564,715	-	573,581
Lease receivable, current portion (Note 6)	-	333,699	-	-	333,699
Other current assets	6,050	1,058	50,379	2,000	59,487
Total current assets	3,429,635	525,482	2,757,799	5,050,225	11,763,141
<b>NONCURRENT ASSETS</b>					
Nondepreciable capital assets (Note 7)	-	868,818	656,056	-	1,524,874
Depreciable capital assets, net (Note 7)	-	9,591,970	83,451	-	9,675,421
Leased capital assets, net (Note 7)	-	1,476,580	-	-	1,476,580
Financed purchase notes receivable, less current portion (Note 5)	389,259	-	19,006,416	-	19,395,675
Lease receivable, less current portion (Note 6)	-	56,959	-	-	56,959
Loans receivable, net (Note 10):					
Community Area Revitalization Effort (CARE) Program	-	-	-	19,853	19,853
Contractor Assistance Program (CAP)	-	-	-	165,465	165,465
Economic Development and Housing Loan Fund (EDHLF) Program	-	-	-	8,101,757	8,101,757
Revolving Loan Program (RLP)	-	-	-	938,965	938,965
Accrued interest receivable	-	-	-	1,156,521	1,156,521
Other noncurrent assets	-	135,145	-	-	135,145
Total noncurrent assets	389,259	12,129,472	19,745,923	10,382,561	42,647,215
Total assets	<u>\$ 3,818,894</u>	<u>\$ 12,654,954</u>	<u>\$ 22,503,722</u>	<u>\$ 15,432,786</u>	<u>\$ 54,410,356</u>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 1,639	\$ 776	\$ 83,625	\$ 1,167	\$ 87,207
Due to the City (Note 12)	-	-	-	33,072	33,072
Accrued interest payable	-	24,038	58,840	-	82,878
Reserves and deposits	-	125,540	-	-	125,540
Current portion of recoverable grants payable (Note 14)	-	-	730,000	-	730,000
Total current liabilities	1,639	150,354	872,465	34,239	1,058,697
<b>NONCURRENT LIABILITIES</b>					
Lease payable (Note 8)	-	1,469,283	-	-	1,469,283
Recoverable grants payable, long term (Note 14)	-	6,500,000	18,385,000	-	24,885,000
Total noncurrent liabilities	-	7,969,283	18,385,000	-	26,354,283
Total liabilities	1,639	8,119,637	19,257,465	34,239	27,412,980
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Leases (Note 6)	-	380,065	-	-	380,065
<b>NET POSITION</b>					
Net investment in capital assets	-	3,968,085	739,507	-	4,707,592
Restricted	1,461,006	-	-	5,028,169	6,489,175
Unrestricted	2,356,249	187,167	2,506,750	10,370,378	15,420,544
Total net position	3,817,255	4,155,252	3,246,257	15,398,547	26,617,311
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,818,894</u>	<u>\$ 12,654,954</u>	<u>\$ 22,503,722</u>	<u>\$ 15,432,786</u>	<u>\$ 54,410,356</u>

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**ENTERPRISE FUNDS**  
**Year Ended June 30, 2022**

	<b>Major Funds</b>				
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Rental and lease income	\$ -	\$ 790,384	\$ -	\$ -	\$ 790,384
Loan administration and other fees	36,000	-	-	290	36,290
Bond and other fees	49,332	-	-	-	49,332
Loan program income	-	-	-	453,079	453,079
Event and other income	-	460,306	-	-	460,306
Total operating revenues	85,332	1,250,690	-	453,369	1,789,391
<b>OPERATING EXPENSES</b>					
Personnel	1,008	220,287	-	-	221,295
Professional services	40,940	22,406	14,000	-	77,346
Internet and telephone services	-	7,581	-	-	7,581
Building operations and maintenance	-	323,353	-	-	323,353
Other	77,539	97,540	71,728	(50,984)	195,823
Loan administrative fees	-	-	-	36,000	36,000
Amortization	-	29,239	-	-	29,239
Depreciation	-	321,126	174	-	321,300
Total operating expenses	119,487	1,021,532	85,902	(14,984)	1,211,937
Operating (loss) income	(34,155)	229,158	(85,902)	468,353	577,454
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Grants from the City of Richmond (Note 12)	246,929	-	-	-	246,929
Federal CARES grants (Note 12)	(190,000)	-	-	-	(190,000)
Economic development incentives (Note 12)	(56,929)	-	-	-	(56,929)
Grant repaid to the State	(101)	-	-	-	(101)
Other grants and rebates (Note 10)	-	-	-	(280,208)	(280,208)
Contributions from the City (Note 12)	-	-	-	300,101	300,101
Interest on capital leases	37	-	1,208,814	-	1,208,851
Interest expense	-	(48,342)	(725,497)	-	(773,839)
Interest income	1,143	17,436	1,314	12,801	32,694
Total nonoperating revenues	1,079	(30,906)	484,631	32,694	487,498
Income before transfers	(33,076)	198,252	398,729	501,047	1,064,952
Transfers (out) in (Note 12)	(372,626)	-	-	372,626	-
Change in net position	(405,702)	198,252	398,729	873,673	1,064,952
<b>NET POSITION</b>					
Beginning of year (as restated) (Note 15)	4,222,957	3,957,000	2,847,528	14,524,874	25,552,359
End of year	<u>\$ 3,817,255</u>	<u>\$ 4,155,252</u>	<u>\$ 3,246,257</u>	<u>\$ 15,398,547</u>	<u>\$ 26,617,311</u>

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



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

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
Year Ended June 30, 2022

	<b>Major Funds</b>				
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>					
Receipts from rentals	\$ -	\$ 823,384	\$ -	\$ -	\$ 823,384
Receipts from loan administration	36,000	-	-	290	36,290
Issuances of loans	-	-	-	(270,830)	(270,830)
Receipts from loan repayments	-	-	-	180,652	180,652
Receipts from other activities	48,390	460,306	-	82,706	591,402
Payments for operating activities	(126,107)	(650,111)	(2,778)	(79,765)	(858,761)
Net cash (used in) provided by operating activities	(41,717)	633,579	(2,778)	(86,947)	502,137
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Grants and receipts from City of Richmond	488,804	-	-	300,101	788,905
Economic development incentive payments	(107,746)	-	-	-	(107,746)
Federal CARES grant payments	(190,000)	-	-	-	(190,000)
Other grants and rebates	-	-	-	(280,208)	(280,208)
Grant repayments to the State	(6,351)	-	-	-	(6,351)
Use of escrows and reserves	-	(13,158)	-	-	(13,158)
Transfers to other funds	(372,626)	-	-	372,626	-
Net cash (used in) provided by noncapital financing activities	(187,919)	(13,158)	-	392,519	191,442
<b>INVESTING ACTIVITIES</b>					
Interest earned	1,143	17,436	1,314	12,801	32,694
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Construction of capital assets	-	-	(83,625)	-	(83,625)
Cash paid on interest	-	-	(727,262)	-	(727,262)
Cash paid on leased asset	-	(60,840)	-	-	(60,840)
Payments received on capital leases	-	-	1,740,268	-	1,740,268
Payments received on lease	-	(11,651)	-	-	(11,651)
Payments of recoverable grant payable	-	(500,000)	(710,000)	-	(1,210,000)
Net cash (used in) provided by capital and related financing activities	-	(572,491)	219,381	-	(353,110)
Net (decrease) increase in cash and cash equivalents	(228,493)	65,366	217,917	318,373	373,163
<b>CASH AND CASH EQUIVALENTS</b>					
Beginning of year	3,523,520	125,359	1,924,788	4,729,852	10,303,519
End of year	<u>\$ 3,295,027</u>	<u>\$ 190,725</u>	<u>\$ 2,142,705</u>	<u>\$ 5,048,225</u>	<u>\$ 10,676,682</u>

(Continued)

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

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

**STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**  
**Year Ended June 30, 2022**

	<b>Major Funds</b>				<b>Total</b>
	<b>Operating Fund</b>	<b>Leigh St. Fund</b>	<b>Stone Brewery Fund</b>	<b>Loan Fund</b>	
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating (loss) income	\$ (34,155)	\$ 229,158	\$ (85,902)	\$ 468,353	\$ 577,454
Adjustments to reconcile operating (loss) income to cash provided by (used in) operating activities:					
Depreciation	-	321,126	174	-	321,300
Amortization	-	29,239	-	-	29,239
Bad debt recovery	-	-	-	(65,172)	(65,172)
Change in current assets and liabilities:					
Receivables	(942)	33,000	-	1,449	33,507
Prepaid expenses	(1,574)	20,280	1,859	1,050	21,615
Loans receivable, net	-	-	-	(90,178)	(90,178)
Accrued interest receivable	-	-	-	(370,373)	(370,373)
Accounts payable	(5,046)	776	81,091	(7,709)	69,112
Due to City	-	-	-	(24,367)	(24,367)
Net cash (used in) provided by operating activities	<u>\$ (41,717)</u>	<u>\$ 633,579</u>	<u>\$ (2,778)</u>	<u>\$ (86,947)</u>	<u>\$ 502,137</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**1. Organization and Purpose**

The Economic Development Authority of the City of Richmond, Virginia (EDA) was created as a political subdivision of the Commonwealth of Virginia on August 28, 1972 by action of the City Council of the City of Richmond, Virginia (City). On April 24, 2006, City Council revoked the EDA's ability to issue debt until it could be reorganized. On June 26, 2006, City Council renamed the EDA as the Economic Development Authority of the City of Richmond, Virginia (Authority). On October 9, 2006, City Council adopted an ordinance that reconfigured the Authority. The Authority is governed by a seven member Board of Directors appointed by the Richmond City Council. The Authority is considered to be a component unit of the City of Richmond, Virginia.

The purpose of the Authority is to promote industry and develop trade by inducing manufacturing, industrial, government and commercial enterprise to locate in or remain in the City of Richmond, further the economic well-being of the citizens of the City, and benefit the inhabitants of the City, increase their commerce and promote their safety, health, welfare, convenience and prosperity. The Authority seeks to provide additional employment for all levels of the community, to promote economic stability and growth in the community, and to assist in meeting the City's development objectives.

**2. Summary of Significant Accounting Policies**

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. They report information on all of the non-fiduciary activities of the Authority. While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activity column of the government wide statements incorporates data from the governmental fund, while business-type activities incorporate data from the Authority's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Fund financial statements

The Authority utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity as displayed in the supplementary information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses, as appropriate.

Governmental fund - special revenue fund

Governmental funds are those through which most governmental functions typically are financed. A special revenue fund is a governmental fund which accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Authority's special revenue fund is the Theater Fund, which contains the current Altria Theater building and associated agreements for funding of the restoration of this historic property.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**2. Summary of Significant Accounting Policies (Continued)**

Enterprise funds

The Authority is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the Operating Fund, the Leigh Street Fund, the Stone Brewery Fund, and Loan Fund all utilize the enterprise fund method of accounting using the accrual basis. For the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

Enterprise funds distinguish 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 proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and cash equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include amounts in demand deposits, treasury bills, and savings accounts.

Property and equipment

Property and equipment consist of land, buildings and improvements, and equipment. Property and equipment are recorded at cost or, if acquired through contribution, at fair value at the date of the gift. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful life of each class of depreciable assets is as follows:

Buildings and improvements	10 - 40 years
Equipment	5 - 7 years
Land leased - lease asset	51.5 years

Recoverable grant payable

Recoverable grants payable represent amounts provided by the City to the Authority for the construction of the Bon Secours Training Facility and the Stone Brewing Facility. These amounts are payable back to the City from revenues generated by the respective facilities. No formal repayment terms have been executed.

Adoption of New Accounting Standard

Effective July 1, 2021, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 87, *Leases*. The following discussion provides the Authority's accounting policy regarding lease agreements.

During the year of implementation of GASB 87, leases have been recognized and measured using the facts and circumstances that existed at the beginning of the year of implementation (i.e. as of July 1, 2021). The Authority's leases in place at the implementation date had no prepayments (payments made at or before the commencement of the lease) and contained no incentives, as such, the lease receivable and lease liability have been recognized and measured at the same amount as the related deferred inflow of resources and right-of-use lease asset, respectively, as of the implementation date (July 1, 2021). Therefore, no restatement of prior year net position was necessary.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**2. Summary of Significant Accounting Policies (Continued)**

Leases

Key estimates and judgements include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and or payments.

- The Authority uses an estimated incremental borrowing rate as the discount rate for lease.
- The lease term includes the noncancellable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- The Authority monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

Right-of-use lease asset and related lease liability

The Authority is a lessee for a noncancellable lease of 15.04 acres of land. The Authority recognizes an intangible right-to-use asset (lease asset) and a related lease liability on the government-wide financial statements and enterprise fund financial statements. At the commencement of a lease, the Authority initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Lease receivable and related deferred inflow of resources

The Authority is a lessor for one noncancellable lease of land. The Authority recognizes lease receivables and deferred inflows of resources in the government-wide and enterprise fund financial statements. At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease terms. Subsequently, the lease receivable is reduced by the principal portions of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date less any lease incentives. Subsequent to the initial measurement and recognition, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Use of estimates

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

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**2. Summary of Significant Accounting Policies (Continued)**

Net position

Net position is the difference between assets and liabilities. Net position invested in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets.

**3. Activity in Current Fiscal Year**

Leigh St. Fund

The Authority has worked in cooperation with the City of Richmond, the Department of Economic and Community Development and other private parties to develop the Bon Secours Training Center. To that end, the Authority entered into a long-term lease with the Commonwealth of Virginia to lease 15.040 acres of land within the City as well as contracts to build the facility. The foregoing was facilitated by a recoverable grant from the City of Richmond in the amount of ten million dollars. The facility was substantially complete at fiscal year-end 2013. The development of this property and the leasing and naming rights agreements associated with the project are intertwined with an additional property known as the Westhampton School Property. The City of Richmond and the Board of the Authority have agreed to transfer ownership of the Westhampton School Property to the Authority, which in turn will lease it to a third party under a long term lease. Both facilities will have a material impact on the Authority's statement of net position. Additionally, the Bon Secours Training Center is expected to have a material positive impact on the statement of activities of the Authority for the foreseeable future.

Stone Brewery Fund

The Authority is working with the City of Richmond and Stone Brewing Co. to develop the Stone Brewery facility. To that end, the Authority has entered into certain real estate transactions as well as construction contracts to build the facility. The foregoing is being facilitated by certain grants from the State and a recoverable grant from the City of Richmond. During 2016 when construction was completed, the long-term use lease agreement between the Authority and Stone Brewing Co. became effective.

**4. 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 amounts insured by federal depository insurance 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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**5. Financed Purchase Notes Receivable**

The Authority has executed a financed purchase agreement with Koochenvagner's Brewing Co. (d/b/a Stone Brewing Co.) for land, building and equipment. The note receivable has a value of \$33,065,059 at June 30, 2022, which is equal to the total future minimum payments under the terms of the agreement, which is \$1,740,266 annually over the term of the note which extends through June 2041. The financial statements include unearned income of \$13,493,928 related to unearned interest at 6% on the note receivable.

The following lists the components of the financed purchase note receivable at June 30, 2022:

	<u><b>Minimum Note Payments</b></u>	<u><b>Less Unearned Revenue</b></u>	<u><b>Net Receivable</b></u>
Current portion	\$ 1,740,266	\$ (1,175,551)	\$ 564,715
Noncurrent portion	<u>31,324,793</u>	<u>(12,318,377)</u>	<u>19,006,416</u>
	<u><u>\$ 33,065,059</u></u>	<u><u>\$ (13,493,928)</u></u>	<u><u>\$ 19,571,131</u></u>

The Authority has executed a financed purchase agreement with Tobacco Row Land, L.P. for land for a parking facility. The note receivable has a value of \$616,000 at June 30, 2022, which is equal to the total future minimum payments under the terms of the agreement, which is \$22,000 annually over the term of the note which extends through July 2049. The financial statements include unearned income of \$217,875. The interest rate used on the agreement as of July 1, 2021, was 3.25%.

The following lists the components of the financed purchase note receivable at June 30, 2022:

	<u><b>Minimum Note Payments</b></u>	<u><b>Less Unearned Revenue</b></u>	<u><b>Net Receivable</b></u>
Current portion	\$ 22,000	\$ (13,134)	\$ 8,866
Noncurrent portion	<u>594,000</u>	<u>(204,741)</u>	<u>389,259</u>
	<u><u>\$ 616,000</u></u>	<u><u>\$ (217,875)</u></u>	<u><u>\$ 398,125</u></u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**6. Lease Receivable / Deferred Inflow of Resources**

The Authority, as a lessor, has entered into a lease with a local hospital for the use of office space in a building owned by the Authority. Effective July 1, 2021, the Authority adopted GASB 87, *Leases*, and, as a result, recognized a lease receivable and deferred lease revenue of \$705,835 as of that date, using a discount rate of 3.25%. As of June 30, 2022, the outstanding balance of the lease receivable was \$390,658, of which \$333,699 is current. The related deferred inflow of resources was \$380,065 as of June 30, 2022. During 2022, the Authority recognized lease and interest revenue related to this lease of \$325,770 and \$17,412, respectively. The lease revenue is included in rental and lease income on the statement of revenues, expenses, and changes in net position.

Future maturities of the lease receivables are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 333,699	\$ 7,777	\$ 341,476
2024	<u>56,959</u>	<u>232</u>	<u>57,191</u>
	<u>\$ 390,658</u>	<u>\$ 8,009</u>	<u>\$ 398,667</u>

**7. Capital Assets**

A summary of changes in the Authority's capital assets are as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
<b>Governmental activities:</b>				
Nondepreciable:				
Land	\$ 142,165	\$ -	\$ -	\$ 142,165
Depreciable:				
Buildings and improvements	14,369,902	-	-	14,369,902
Accumulated depreciation	<u>(14,352,818)</u>	<u>(17,084)</u>	<u>-</u>	<u>(14,369,902)</u>
Total depreciable, net	<u>17,084</u>	<u>(17,084)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 159,249</u>	<u>\$ (17,084)</u>	<u>\$ -</u>	<u>\$ 142,165</u>

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**7. Capital Assets (Continued)**

	<b>Balance July 1, 2021 as restated*</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2022</b>
<b>Business-type activities:</b>				
Nondepreciable:				
Land	\$ 1,470,223	\$ -	\$ -	\$ 1,470,223
Construction in progress	54,651	-	-	54,651
Total nondepreciable	<u>1,524,874</u>	<u>-</u>	<u>-</u>	<u>1,524,874</u>
Depreciable:				
Buildings and improvements	15,537,679	83,625	-	15,621,304
Equipment	22,100	-	(22,100)	-
Total depreciable	<u>15,559,779</u>	<u>83,625</u>	<u>(22,100)</u>	<u>15,621,304</u>
Accumulated depreciation	<u>(5,646,683)</u>	<u>(321,300)</u>	<u>22,100</u>	<u>(5,945,883)</u>
Total depreciable, net	<u>9,913,096</u>	<u>(237,675)</u>	<u>-</u>	<u>9,675,421</u>
Right-to-use lease assets:				
Land	1,505,819	-	-	1,505,819
Accumulated amortization	-	(29,239)	-	(29,239)
Total right-to-use lease assets, net	<u>1,505,819</u>	<u>(29,239)</u>	<u>-</u>	<u>1,476,580</u>
Total business-type activities	<u>\$ 12,943,789</u>	<u>\$ (266,914)</u>	<u>\$ -</u>	<u>\$ 12,676,875</u>

\*Amounts have been restated to include right-of-use lease assets related to the implementation of GASB Statement 87, *Leases*.

**8. Intangible Right-to-Use Lease Liability**

The Authority, as a lessee, has entered into a noncancellable lease agreement for the use of land near the Bon Secours Training Center. During 2022, the Authority adopted GASB 87, *Leases*, and, as a result, recognized an intangible right-to-use lease asset and related lease liability. Payments of \$40,560 are due annually through January 2032 at which point payments escalate every ten years through 2072 and are discounted at 3.25%. The following is a summary of changes in the lease liability reported on the statement of net position for the fiscal year ended June 30, 2022:

Balance - July, 1, 2021	\$ 1,485,539
Subtractions	<u>(16,256)</u>
Balance - June 30, 2022	<u>\$ 1,469,283</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**8. Intangible Right-to-Use Lease Liability (Continued)**

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 40,560	\$ 40,560
2024	-	40,560	40,560
2025	-	40,560	40,560
2026	-	40,560	40,560
2027	-	40,560	40,560
2028 - 2032	-	202,800	202,800
2033 - 2037	-	283,920	283,920
2038 - 2042	-	283,920	283,920
2043 - 2047	69,144	271,561	340,705
2048 - 2052	117,247	223,458	340,705
2053 - 2057	210,691	198,153	408,844
2058 - 2062	247,813	161,032	408,845
2063 - 2067	378,821	111,794	490,615
2068 - 2072	445,567	45,049	490,616
	<u>\$ 1,469,283</u>	<u>\$ 1,984,487</u>	<u>\$ 3,453,770</u>

Related lease assets totaling \$1,505,819, offset by accumulated amortization of \$29,239, is included in leased capital assets, net on the statement of net position as of June 30, 2022.

**9. Commitments and Contingencies**

The Authority has executed performance agreements with certain local businesses on behalf of the City, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded as stated in the performance agreements. The Authority's responsibility for payment of these awards is subject to funding appropriation by the City, as such, the Authority has no exposure under these agreements. The Authority has received grant funds totaling \$1,352,402 from the City that have not yet been approved for distribution to the local businesses and thus are included in the Authority's restricted net position balance at June 30, 2022, along with other restricted revenue sources.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**10. Loans Program Receivables**

Commercial Area Revitalization Effort

The Commercial Area Revitalization Effort (CARE) is a loan and rebate program created by the City's Office of Economic Development and the Authority, which is designed to revitalize and return economic viability to older neighborhood commercial strips. The loan program provides for three different types of loans to eligible borrowers. CARE loans are classified as minor (less than \$125,000), moderate (\$125,000-\$200,000), and substantial (more than \$200,000). Minor loans have a 90% Authority, 10% minimum owner equity financing structure. For the substantial and moderate loans, a private loan of 50% of the requested loan amount must be obtained prior to the Authority's approval of an additional 40%, leaving a minimum 10% owner equity. The Authority has a second secured position in the moderate and substantial loans. The rebate program is designed to revitalize and return economic viability to older neighborhood districts, primarily in low and moderate-income communities. The Authority will rebate up to certain percentages and dollar amounts of renovation and improvement expenses incurred for exterior and interior rehabilitation, security improvements, and the connection of a water lateral line and/or the installation of a sprinkler system.

At June 30, 2022, the carrying value of loans receivable from the CARE program was \$32,066, less an uncollectible allowance of \$12,213. The fair value of these loans is not readily determinable. The Authority administered rebates in the amount of \$280,208 during the year ended June 30, 2022, which is included in other grants and rebates on the statement of activities.

Contractor Assistance Program

The Contractor Assistance Program (CAP) is a loan program created by City Council and administered by the City's Office of Economic Development and the Authority, which is designed to provide working capital, equipment financing, receivables financing and other qualifying uses that will support the delivery of goods or services that further the purpose of the CAP. The loan program provides loans to eligible borrowers of up to \$100,000 with varying amortizations and interest rates from 4% to 9% per annum depending on the overall credit rating of the transaction.

At June 30, 2022, the carrying value of loans receivable from the CAP program was \$234,893, less an uncollectible allowance of \$69,428. The fair value of these loans is not readily determinable.

Economic Development and Housing Loan Fund

During 2013, the Economic Development and Housing Loan Fund (EDHLF) was implemented for the purpose of providing financing to local developers and small businesses pursuing Section 108 eligible projects which meet one of the Community Development Block Grant National Objectives: to facilitate large real estate economic development projects, the creation of affordable housing and other special use projects that benefit low and moderate income persons, prevent or eliminate slums or blight, create or retain jobs and provide area benefits in the City's commercial corridors and residential neighborhoods.

During the fiscal year 2013, the City had drawn down the approved loan from the United States Department of Housing and Urban Development (HUD) in the amount of \$10,125,000 and transferred the proceeds to the Authority. At June 30, 2022, approximately eight million in loans had been granted from these funds, and the carrying value of the loans was \$8,183,668 which did not include a fee income receivable, less an uncollectible allowance of \$81,911.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**10. Loans Program Receivables (Continued)**

Revolving Loan Program

The Citywide Revolving Loan Program (RLP) is a loan program created by City Council and administered by the City's Office of Economic Development and the Authority, which is designed to provide capital for property and land acquisition, infrastructure costs, construction, rehabilitation, working capital, machinery and equipment purchases, leasehold improvements and any other use that meets the Department of Housing and Urban Development's national objectives. The loan program provides loans to eligible borrowers of up to \$250,000 with amortizations of up to 20 years and interest rates that can vary from 3% to 9% per annum depending on the overall credit rating of the transaction.

At June 30, 2022, the carrying value of loans receivable from the RLP program was \$1,046,787, less an uncollectible allowance of \$107,822. The fair value of these loans is not readily determinable.

Enterprise Zone Incentive Loans

During 1996, the Enterprise Zone Incentive Loan (EZIL) program was implemented to provide City incentives through the Authority to worthy businesses. These incentives were designed to encourage investment and job creation by new or existing businesses within the City's enterprise zones.

The EZIL Program is no longer being funded by the City. During the year ended June 30, 2011, all remaining loans receivable from the EZIL program were written off. The fund remains open to collect residual loan recovery payments. There were recoveries from loans previously written off of \$1,667 during the year ended June 30, 2022.

**11. Conduit Debt**

The Authority can authorize the issuance of revenue bonds for the purpose of obtaining and constructing facilities. Such debt is payable solely from the revenues derived from structured liens or pass-through leases of the facilities constructed for the related enterprises. Collections of revenues pledged to liquidate the bonds are assigned to a trustee. Such debt does not constitute a debt or pledge of the faith and credit of the Authority, the Commonwealth of Virginia or any political subdivision thereof. Accordingly, such debt and related assets are not presented in the financial statements.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**12. Related Party Transactions**

Loan Fund

The Authority has received funds from the City for programs that are not administered by the Authority. As a result, these are reported as Due to the City on the statement of net position. These funds total \$33,072 at June 30, 2022.

The Authority receives bookkeeping services from a third-party CPA firm. During 2000, the Authority, through the CARE program, loaned the CPA firm \$125,000. Under the original terms of this loan, interest only payments were required until May 2016 at which time the principal was due in full; however, this loan was refinanced during the year-ended June 30, 2017, to a term loan with principal and interest over a twenty year amortization with a five year balloon payment due May 2022. The owner passed during the year, and a total of \$97,550 of the loan balance was paid off. The loan balance was \$1,410 at June 30, 2022.

During 2022, the City made a contribution to the CARE loan program of \$300,101.

Operating Fund

During the year ended June 30, 2022, the Authority received \$56,929 in economic development incentives from the City to be passed on to approved businesses in accordance with the terms of performance agreements. Incentive grants of \$56,929 were paid out during the year. Additionally, prior to 2021, the Authority made City-approved disbursements in excess of receipts of \$119,692. This is included in Due from the City on the statement of net position. The Authority also repaid \$30,000 to the City that was included in Due to the City in the prior year and also received \$36,537 from a grantee that was returned to the City during the year.

During 2021, the Authority received a total of \$5,719,273, in Coronavirus Aid, Relief, and Economic Security (CARES) Act pass-through grant funds from the City, of which \$5,371,233 was disbursed in that year. The remaining unspent funds of \$348,039 were reflected as unearned grant revenue on the statement of net position at June 30, 2021. During the current year, an additional \$190,000 was disbursed in the form of grants to businesses within the City impacted by COVID-19. The remaining \$158,039 was returned to the City during the current year.

During 2021, the City approved CARES grant funds to be allocated to the Authority for the purpose of forgiving small business disaster loans. During the current year, the Authority received a total of \$660,000 from the City. However, the Authority was only owed a total of \$619,114 at the end of the prior year for grant funds distributed. The overpayment of \$40,886 was returned to the City during the current year.

Additionally, in the prior year, the Authority received \$500,000 in local (non-federal) funding from the City for the purpose of aiding in overall recovery for local businesses. The remaining \$372,626 that was unspent in the prior year was released by the City as a contribution to the Loan fund during the current year.

Prior to 2021, the Authority had received from the City \$550,000 in funding for a Façade Improvement Grant Program. Grants of \$507,505 were awarded under this program in prior years and \$10,000 was awarded during the year ended June 30, 2022. These grants are included in other operating expenses on the statement of revenues, expenses and changes in net position. The remaining balance of \$32,495 is classified as restricted net position on the statement of net position.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**13. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

**14. Recoverable Grant Payable**

Amounts noted as a recoverable grants payable are amounts payable to the City of Richmond. In prior years, funds were received from the City and were used for developing the Leigh Street and Stone Brewing projects. Funds must be paid back to the City in an amount equal to the initial outlay at the conclusion of the project. There have been no agreements or terms developed by the Authority or the City regarding repayment of the Leigh Street Fund grant payable. During 2017, the terms of the Stone Brewing project grant payable were determined and are as follows:

Recoverable grant payable to the City of Richmond of \$23,000,000 due in annual installments of varying amounts and at various interest rates through June 1, 2041; interest payable semi-annually at rates ranging 3% to 4%. \$ 19,115,000

Activity in long-term recoverable grants payable for fiscal year 2022 follows:

	<u>Balance June 30, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2022</u>	<u>Amount Due Within One Year</u>
Leigh Street Fund	\$ 7,000,000	\$ -	\$ (500,000)	\$ 6,500,000	\$ -
Stone Brewery Fund	<u>19,825,000</u>	<u>-</u>	<u>(710,000)</u>	<u>19,115,000</u>	<u>730,000</u>
	<u>\$ 26,825,000</u>	<u>\$ -</u>	<u>\$ (1,210,000)</u>	<u>\$ 25,615,000</u>	<u>\$ 730,000</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2022**

**14. Recoverable Grant Payable (Continued)**

Annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 730,000	\$ 710,113	\$ 1,440,113
2024	750,000	688,212	1,438,212
2025	775,000	665,713	1,440,713
2026	795,000	642,462	1,437,462
2027	820,000	617,619	1,437,619
2028-2032	4,545,000	2,647,682	7,192,682
2033-2037	5,475,000	1,719,400	7,194,400
2038-2042	<u>5,225,000</u>	<u>532,800</u>	<u>5,757,800</u>
	<u>\$ 19,115,000</u>	<u>\$ 8,224,001</u>	<u>\$ 27,339,001</u>

**15. Prior Period Restatement**

During 2022, the Authority determined that an agreement related to the parking facility owned by the Authority previously reported as a lease is actually a financed purchase as disclosed in Note 5 (Tobacco Row Land, L.P.). As such, balances at the beginning of the year have been restated as follows:

	<u>Total Reporting Entity</u>	<u>Business- Type Activities</u>	<u>Operating Enterprise Fund</u>
Net position July 1, 2021, as previously reported	\$ 25,291,520	\$ 25,132,271	\$ 3,802,869
Effect of restatement – financed purchase note receivable	<u>420,088</u>	<u>420,088</u>	<u>420,088</u>
Net position July 1, 2021, as restated	<u>\$ 25,711,608</u>	<u>\$ 25,552,359</u>	<u>\$ 4,222,957</u>

## **COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the Board of Directors of the  
Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Richmond, 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, Board, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activities and each major fund of the Economic Development Authority of the City of Richmond, Virginia (the "Authority") 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 October 12, 2022.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal controls, described in the accompanying schedule of findings and responses, as item 2022-001, that we consider to be a significant deficiency.

### **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 that are required to be reported under *Government Auditing Standards*.

### **Authority's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompany schedule of findings and responses. The Authority's response was not subject to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 12, 2022

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

**SUMMARY OF COMPLIANCE MATTERS  
June 30, 2022**

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the Authority's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Uniform Disposition of Unclaimed Property Act

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2022**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One significant deficiency relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2022-001: Allowance for Loan Losses on Notes Receivable (Significant Deficiency)**

*Condition:*

During our testing over the allowance for loan losses on notes receivables, we noted that the allowances for several of the loan programs were incorrectly calculated and resulted in overstating balances. As a result, the audit team had to post material adjustments to correct the balances.

*Criteria:*

A review of the calculation by a qualified review should be implemented subsequent to the preparation of the allowance calculation to ensure the balances are accurate.

*Cause:*

The allowance calculation was reviewed by the preparer only (self-review error).

*Effect:*

Allowance was incorrectly reported at year-end.

*Recommendation:*

We recommend that someone other than the preparer review the calculations to ensure their accuracy prior to posting.

*Views of Responsible Officials and Planned Corrective Action:*

Management acknowledges the incorrect calculation of the allowance for loan losses. To mitigate the risk of this occurring again, management will establish a policy and process that requires the calculation for the allowance for loan losses to be reviewed by the Authority's accountant after completion by the preparer and before being submitted for posting.

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

**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2022**

**C. FINDINGS - COMMONWEALTH OF VIRGINIA**

None noted.

**D. STATUS OF PRIOR YEAR COMPLIANCE FINDINGS**

**2021-001: Internal Controls Over Outstanding Checks (Significant Deficiency)**

*Condition:*

During our testing of bank reconciliations, we noted two instances of inaccurately stated outstanding checks - one check was recorded on the outstanding check list for an amount that did not agree with the check that was issued. Additionally, we noted a check had been voided; however, the financial reporting system did not capture that void and it was still reported erroneously as a reduction to cash at year end.

*Recommendation:*

We recommend that processes and procedures be improved and implemented, to include relevant controls, to ensure checks are not modified after they are issued and that voided checks are immediately captured in the financial reporting system.

*Current Status:*

This has been addressed in the current year.

**2021-002: Internal Controls Over Journal Entries (Significant Deficiency)**

*Condition:*

During our audit, we noted erroneously posted general journal entries involving loan accounts.

*Recommendation:*

We recommend that a formal review of all journal entries for the loan accounts be completed. We also recommend that review and approval of all entries for the loan accounts be formally documented.

*Current Status:*

This has been addressed in the current year.

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2022**

**D. STATUS OF PRIOR YEAR COMPLIANCE FINDINGS (Continued)**

**2021-003: Internal Controls Over Year End Balance Reconciliations (Significant Deficiency)**

*Condition:*

During our audit, we noted several account balances were incorrectly stated which required a significant number of audit adjustments to correct. Reconciliations for some receivable and payable accounts were not readily available.

*Recommendation:*

We recommend that processes and procedures be development and implemented to ensure that all general ledger accounts are reconciled monthly by management and accounting staff regardless of activity level so that Authority activity is appropriately recorded and reported.

*Current Status:*

This has been addressed in the current year.

**2021-004: Conflicts of Interest**

*Condition:*

During our testing of the conflicts of interest, there was one instance where a form was filed after the February 1, 2021, deadline

*Recommendation:*

We recommend that the Authority put in necessary controls to ensure that all Board members file forms timely.

*Current Status:*

This has been addressed in the current year.