

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

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



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

June 30, 2022

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

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

Authority Officials

June 30, 2022

Board Members

Vince Campana III, Chair

Lynn Meredith, Vice Chair

Brandon Nice

Carlton Stockton

Joseph Stanko

Ellen Smith Gajda

William Turner

Other Officials

P. Sue Sadler, Board of Supervisor Liaison

Christopher Johnson, Secretary

Jennifer Tomes, Treasurer

Adam Kinsman, Legal Counsel

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

Change in Accounting Principles

As described in Notes 1, 8 and 10 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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.

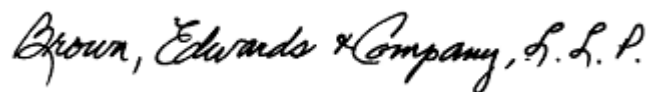
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and other information section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of the Economic Development Authority of James City County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Economic Development Authority of James City County, Virginia'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 Economic Development Authority of James City County, Virginia's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 27, 2022

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2022

This section of the **Economic Development Authority of James City County, Virginia's** (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2022.

Financial Highlights

The Authority had an increase in net position of \$108,435 for fiscal year 2022, primarily as a result of bond application and fee revenue. In addition, the Authority restated its beginning net position by (\$32,360) to reflect adjustments related to the adoption of a new accounting standard on leases. Additional information on this restatement can be found in Note 10 to the basic financial statements. Comparative prior year information, to the extent presented here, has not been restated because the necessary information is not available.

Overview of the Financial Statements

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

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

Financial Analysis

Summary of Statement of Net Position		
	6/30/2022	6/30/2021
Current and other assets	\$ 1,486,576	\$ 659,090
Capital assets, net of accumulated depreciation	1,336,810	1,362,288
Total assets	\$ 2,823,386	\$ 2,021,378
Current liabilities	\$ 2,096	\$ -
Deferred inflow of resources	\$ 723,837	\$ -
Net position		
Net investment in capital assets	1,336,810	1,362,288
Unrestricted	760,643	659,090
Total net position	2,097,453	2,021,378
Total liabilities and net position	\$ 2,823,386	\$ 2,021,378

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2022

Total assets experienced an increase of \$802,008 in 2022. For fiscal year 2022, the increase was primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which resulted in the recording of a lease receivable related to the marina.

Current liabilities experienced an increase of \$2,096 in fiscal year 2022 due to invoices outstanding related to the fiscal year that were not paid until after June 30, 2022.

During fiscal year 2022, the Authority recorded deferred inflows of resources related to the implementation of GASB 87. This deferred inflow of resources reflects the value of the marina lease and will be recognized as revenue over the term of the lease.

At June 30, 2022, assets exceeded liabilities and deferred inflows of resources by \$2,097,453.

Summary of Statements of Revenues, Expenses and Changes in Net Position for the Year Ended		
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	<u>6/30/2022</u>	<u>6/30/2021</u>
Intergovernmental - County contribution	\$ 16,009	\$ 49,767
Other operating revenues	171,901	103,087
Total operating revenues	<u>187,910</u>	<u>152,854</u>
Community development & Launchpad	59,173	93,636
Other expenses	62,493	64,416
Total operating expenses	<u>121,666</u>	<u>158,052</u>
Operating income (loss)	<u>66,244</u>	<u>(5,198)</u>
Net nonoperating revenues (expenses)	42,191	(162,599)
Change in net position	108,435	(167,797)
Net position - beginning of year, as restated	<u>1,989,018</u>	<u>2,189,175</u>
Net position - end of year	<u>\$ 2,097,453</u>	<u>\$ 2,021,378</u>

Revenues represent the County's contribution to the Authority and other operating revenues from bond fees and lease revenue from the marina property. In fiscal year 2022, the County contribution decreased by (\$33,758) as a result of a decrease in payments for performance based agreements made by the Authority for which the County provides funding. In 2022, other operating revenues increased by \$68,814 primarily as a result of unanticipated bond applications and fees.

Community development and Launchpad consists primarily of contributions toward local business efforts, grants awarded to local businesses for exceeding certain investment figures, performance agreements, and costs associated with Launchpad, while other expenses include costs such as advertising and professional fees. Community development and Launchpad expenses reflect a decrease of 36.8% for fiscal year 2022, mainly because of a decrease in payments related to performance based agreements.

For fiscal year 2022, other expenses decreased by (\$1,923) primarily due to a decrease in promotion costs.

Net nonoperating revenues (expenses) consist of interest income, loss on the disposal of capital assets, and capital contributions. In 2022, the Authority recognized \$42,191 of revenue related to interest on the marina lease payments.

Total net position increased by \$108,435 in 2022. The increase in 2022 primarily resulted from bond applications and fees.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2022

Capital Assets

	<u>6/30/2022</u>	<u>6/30/2021</u>
Nondepreciable	\$ 744,995	\$ 744,995
Depreciable	591,815	617,293
Capital assets, net	<u>\$ 1,336,810</u>	<u>\$ 1,362,288</u>

During fiscal year 2022, net capital assets decreased as a result of depreciation.

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

Debt Administration

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

Requests for Financial Information

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

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

Statement of Net Position

	<u>6/30/2022</u>	<u>6/30/2021*</u>
Assets		
Current assets		
Cash and short-term investments (Note 2)	\$ 687,342	\$ 545,407
Current portion of lease receivable (Note 8)	28,392	-
Bond fee receivable	32,045	2,882
Lease interest receivable (Note 8)	3,462	-
Due from James City County	-	49,767
Rent receivable	-	40,396
Total current assets	<u>751,241</u>	<u>638,452</u>
Non-current assets		
Notes receivable (Note 5)	20,638	20,638
Lease receivable in more than one year (Note 8)	714,697	-
Capital assets (Note 6)		
Nondepreciable	744,995	744,995
Depreciable, net	591,815	617,293
Capital assets, net	<u>1,336,810</u>	<u>1,362,288</u>
Total non-current assets	<u>2,072,145</u>	<u>1,382,926</u>
Total assets	<u>\$ 2,823,386</u>	<u>\$ 2,021,378</u>
Liabilities, Deferred Inflow of Resources, and Net Position		
Current liabilities		
Accounts payable	\$ 2,096	\$ -
Deferred inflow of resources		
Deferred inflow-leases (Note 8)	<u>\$ 723,837</u>	<u>\$ -</u>
Net position		
Net investment in capital assets	1,336,810	1,362,288
Unrestricted	760,643	659,090
Total net position	<u>2,097,453</u>	<u>2,021,378</u>
Total liabilities, deferred inflow of resources, and net position	<u>\$ 2,823,386</u>	<u>\$ 2,021,378</u>

*The prior fiscal year is presented for comparative purposes only.

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended	
	6/30/2022	6/30/2021*
Operating revenues		
Lease revenue (Note 8)	\$ 47,726	\$ -
Rental income	-	85,798
Intergovernmental - County contribution (Note 4)	16,009	49,767
Bond fees	124,175	17,289
Total operating revenues	187,910	152,854
Operating expenses		
Community development & Launchpad	59,173	93,636
Depreciation	25,478	25,478
Promotion	20,339	22,207
Professional fees	16,676	16,581
Other	-	150
Total operating expenses	121,666	158,052
Operating income (loss)	66,244	(5,198)
Nonoperating revenue (expenses)		
Interest income	42,191	3,911
Loss on disposal of capital assets	-	(166,510)
Total nonoperating revenue (expenses), net	42,191	(162,599)
Change in net position	108,435	(167,797)
Net position, beginning of year, as restated (Note 10)	1,989,018	2,189,175
Net position, end of year	\$ 2,097,453	\$ 2,021,378

*The prior fiscal year is presented for comparative purposes only.

See accompanying notes to financial statements.

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

Statement of Cash Flows

	Years Ended	
	6/30/2022	6/30/2021*
Cash flows from operating activities		
Receipts from County and customers	\$ 197,298	\$ 143,012
Payments to suppliers	(94,092)	(185,913)
Net cash provided by (used in) operating activities	103,206	(42,901)
Cash flows from investing activities		
Interest received	38,729	3,911
Net increase (decrease) in cash	141,935	(38,990)
Cash and short-term investments, beginning of year	545,407	584,397
Cash and short-term investments, end of year	\$ 687,342	\$ 545,407
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 66,244	\$ (5,198)
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:		
Depreciation	25,478	25,478
Changes in assets and liabilities:		
Due from James City County	49,767	3,572
Lease receivable	28,473	-
Deferred inflow - leases	(47,725)	-
Rent receivable	8,036	(13,865)
Bond fee receivable	(29,163)	91
Accounts receivable	-	360
Accounts payable	2,096	(53,339)
Net cash provided by (used in) operating activities	\$ 103,206	\$ (42,901)

See accompanying notes to financial statements.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

1) Summary of Significant Accounting Policies

The Economic Development Authority of James City County, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of James City County (County) on July 9, 1979, pursuant to the provisions of the Economic Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the *Code of Virginia* (1950), as amended). The Authority is governed by a seven-member board appointed by the Board of Supervisors of James City County, Virginia. The essential purpose of the Authority is to promote industrial and commercial development in the County.

The Reporting Entity

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

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

Basis of Accounting and Presentation

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

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

Cash Equivalents

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

Capital Assets

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

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

1) Summary of Significant Accounting Policies, Continued

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

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

Pass-Through Financing Arrangements

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

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

Therefore, while the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets, liabilities, deferred inflows or outflows of resources, rental income, or interest expense in its financial statements.

Advertising Costs

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

Estimates

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

Deferred Inflows of Resources

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

The Authority recognizes a deferred inflow of resources for the value of lease receivables plus any payments received at or before the commencement of the lease term that relate to future periods

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

1) Summary of Significant Accounting Policies, Continued

Adoption of New Accounting Statement

For fiscal year 2022, the Authority implemented GASB Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The implementation of this pronouncement had the effect of restating net position at July 1, 2021 from \$2,021,378 to \$1,989,018. Further information on this restatement is provided in note 10, and additional details on the Authority's leases can be found in note 8.

2) Cash and Short-Term Investments

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

	<u>6/30/2022</u>
Bank deposits	\$ 687,342

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

The Authority had no investments as of June 30, 2022.

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

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

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

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

2) Cash and Short-Term Investments, Continued

Credit Risk

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

Concentration of Credit Risk

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

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

Interest Rate Risk

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

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction.

3) Conduit Debt Obligations

From time to time, the Authority has issued Economic Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2022, there were 10 series of Economic Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$210 million.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

4) Transactions with Related Parties

Certain financial management and accounting services are provided to the Authority by the County. Services were provided at no charge during the fiscal year ending June 30, 2022. In addition, certain personnel costs in 2022 were incurred by the County for the benefit of the Authority at no charge to the Authority.

Certain legal services are provided to the Authority by the County. The charges for these services amounted to \$6,000 for the fiscal year ending June 30, 2022, and are included in professional fees in the accompanying statement of revenues, expenses, and changes in net position.

The Authority has a resolution with the County where Renwood Farms, Inc. would pay the County annual rent of \$14,725 for use of farm property owned by the County and then pass that revenue through to the Authority. The County passed \$14,725 to the Authority in fiscal year 2022.

The Authority negotiates tax abatements as part of the Enterprise Zone Grant Program, the purpose of which is to bring new commercial and industrial businesses to the County. The County provided \$1,284 to the Authority to cover the costs of these payments in fiscal year 2022.

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

5) Notes Receivable

A summary of notes receivable for fiscal year 2022 is below.

	6/30/2022
MODU System America, LLC	\$ 20,638
Total notes receivable	\$ 20,638
Reconciliation to Statements of Net Position:	
Notes receivable, current	\$ -
Notes receivable, non-current	20,638
Total notes receivable	\$ 20,638

On October 13, 2010, the Authority entered into a loan forgiveness agreement with Regina Enterprises, LLC for \$5,000, and the term of the agreement was later extended to March 31, 2019 at 0% interest. During fiscal year 2018, Regina Enterprises, LLC closed, at which time the full balance of the loan became payable, and during fiscal year 2019, the Authority collected \$2,500 of the remaining balance due, and the remaining \$73 balance was included in the Authority's receivables with a corresponding allowance for doubtful accounts of the same amount. At June 30, 2022, the remaining \$73 receivable and allowance were written off, and there is no longer a balance for this agreement.

On May 24, 2016, the Authority entered into an agreement with MODU System America, LLC and OKS International, LLC, in which the Authority made a one-time grant of \$25,000 to the businesses in exchange for specified performance. Per the agreement, the grant was in the form of a zero-interest loan to be forgiven at the end of seven years if the terms were satisfied in full. On May 10, 2019, the Authority entered into a supplemental agreement with these businesses to cure defaults that had occurred in the original agreement and provide a method to cure potential future defaults. During fiscal year 2022, MODU System America, LLC ceased operations and was absorbed by 888Brands, LLC. The Authority intends to collect the remaining balance on the loan at June 30, 2022, in the amount of \$20,638 and is in the process of determining whether this amount will be recovered through a new agreement with 888Brands, LLC or if the promissory note included in the original loan will be acted upon.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

6) Capital Assets

A summary of the capital asset activity for fiscal year 2022 is below.

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022
Capital assets, nondepreciable:				
Land	\$ 710,795	\$ -	\$ -	\$ 710,795
Land improvements	34,200	-	-	34,200
Total capital assets, nondepreciable	744,995	-	-	744,995
Capital assets, depreciable:				
Land improvements	237,988	-	-	237,988
Buildings and improvements	290,095	-	-	290,095
Infrastructure	182,379	-	-	182,379
Total capital assets, depreciable	710,462	-	-	710,462
Less accumulated depreciation:				
Buildings and improvements	26,608	7,269	-	33,877
Land improvements	43,689	11,957	-	55,646
Infrastructure	22,872	6,252	-	29,124
Total accumulated depreciation	93,169	25,478	-	118,647
Total capital assets, depreciable, net	617,293	(25,478)	-	591,815
Total capital assets, net	\$ 1,362,288	\$ (25,478)	\$ -	\$ 1,336,810

7) Commitment of Operating Subsidies

The following operating subsidy agreement was in effect for fiscal year 2022.

- In fiscal year 2017, the Authority along with the Economic Development Authority of the City of Williamsburg, Virginia (EDA-WMSBG) and the Economic Development Authority of York County, Virginia (EDA-YORK), transferred regional economic development initiatives to the Greater Williamsburg Partnership, including the operation of a regional business incubator, referred to as "Launchpad." The Authority, EDA-WMSBG, and EDA-YORK agreed that \$103,500 was a reasonable estimate of the annual costs to operate Launchpad and that each party would be responsible for one-third of those annual costs. During fiscal year 2022, the Authority made a contribution to Launchpad of \$34,500 which is included in community development and Launchpad expenses on the statement of revenues, expenses, and changes in net position.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

8) Leases

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

With the adoption of GASB 87, *Leases*, the Authority initially measures lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the life of the lease term in the amount of \$47,725, annually. During the year of the implementation, any leases entered into prior to the beginning of that fiscal year are recorded at their present value as of the implementation date, July 1, 2021, if there were no prepayments or initial incentive payments, which was the case with the Brewery lease.

The lease with the Brewery has an initial term of ten years and will automatically renew for up to two additional five-year terms. The lease commenced in September 2017, and the rent amount paid for the first year was \$60,000. Per the agreement, rent would increase the first five subsequent years by 3% annually and will remain an annual rent of \$70,000 for the last four years of the initial term. Rent will increase by 5% for each renewal term.

The assessed value of the leasehold property at the marina is \$798,500. A warehouse and renovations at the site were capitalized by the Authority at a cost of \$710,462. Depreciation expense on these assets was \$25,478 during 2022. This resulted in accumulated depreciation of \$118,647 at June 30, 2022.

The Authority entered into a supplemental agreement with the Brewery on June 18, 2020, due to Executive Orders 53 and 55 issued by the Governor of Virginia that set restrictions for brewery retail operations. This supplemental agreement abated 100% of rent owed by the Brewery for the month of April 2020. Additionally, the Authority agreed to defer rent owed by the Brewery for the months of July, August, and September 2020 until October 10, 2021. The remaining \$8,036 of rent deferrals was recognized as a receivable by the Authority in fiscal year 2021 and was repaid by the Brewery in fiscal year 2022.

Prior to the implementation of GASB 87, the Authority also recognized a rent receivable of \$32,360 for the difference between rent revenue calculated under the straight-line method and actual rent payments under the agreement. In fiscal year 2022, this rent receivable was written off, and a lease receivable was recognized in accordance with GASB 87. Additional information on restatements to prior year amounts related to the implementation of this accounting standard is provided in Note 10.

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

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

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Notes to Financial Statements
June 30, 2022

8) Leases, Continued

The balances of the lease receivable and lease interest receivable were \$743,089 and \$3,462, respectively, as of June 30, 2022. The present value of future annual lease payments from the Brewery are anticipated as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 28,392	\$ 40,826	\$ 69,218
2024	30,753	39,173	69,926
2025	32,594	37,406	70,000
2026	34,464	35,536	70,000
2027	36,440	33,560	70,000
2028-2032	235,426	131,491	366,917
2033-2037	332,247	53,016	385,263
2038	12,773	89	12,862
Total	<u>\$ 743,089</u>	<u>\$ 371,097</u>	<u>\$ 1,114,186</u>

9) COVID-19

During fiscal year 2022, the novel coronavirus disease (COVID-19) affected the operations of the Authority as well as the local business environment. The financial activities of the Authority through June 30, 2022, reflect these impacts resulting from COVID-19.

As discussed in Note 8, Executive Orders issued by the Governor of Virginia placed restrictions on brewery operations, and in response, the Authority provided its tenant with a rent abatement in the amount of \$5,305 for the month of April 2020 and rent deferrals for the months of July, August, and September 2020 until October 10, 2021. At the end of fiscal year 2022, the remaining rent deferrals of \$8,036 had been paid back in full.

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

10) Restatement

The net position as of the beginning of fiscal year 2022 was restated to reflect an adjustment to related to the Authority's implementation of GASB 87. More information regarding the adjustment can be found in Note 8 and the related balance has been adjusted as follows:

	<u>6/30/2021</u> <u>Previously</u> <u>Reported</u>	<u>Restatement</u>	<u>7/1/2021</u> <u>As</u> <u>Restated</u>
Rent receivable	\$ 40,396	\$ (32,360)	\$ 8,036
Lease receivable	\$ -	\$ 771,562	\$ 771,562
Deferred Inflow of resources	\$ -	\$ (771,562)	\$ (771,562)
Net position - unrestricted	\$ (659,090)	\$ 32,360	\$ (626,730)
Total net position	\$ 2,021,378	\$ (32,360)	\$ 1,989,018

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Compliance Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of James City County, Virginia (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 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing the 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
October 27, 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
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

Other Information

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

Schedules of Revenue Bonds Outstanding - Conduit Debt (Unaudited)

Bond	Issue Date	6/30/2022	6/30/2021*
Lease Revenue Bonds, Series 2011 - James City County	2011	\$ -	\$ 667,000
Lease Revenue Refunding Bonds, Series 2014 - James City County	2014	5,190,000	6,375,000
Lease Revenue Refunding Bonds, Series 2015 - James City County	2016	17,715,000	22,185,000
Lease Revenue Bonds, Series 2016 - James City County	2016	20,645,000	21,760,000
Lease Revenue Bonds, Series 2018 - James City County	2018	18,110,000	19,125,000
Lease Revenue Refunding Bonds, Series 2021 - James City County	2021	10,355,000	11,030,000
Economic Development Revenue Bond - Christopher Newport University Educational Foundation	2001	2,198,119	2,270,119
Revenue Bond, Series B 2003 - Williamsburg Landing Inc.	2003	-	5,590,000
Revenue and Refunding Bond, Residential Care Facility - Williamsburg Landing Inc.	2005	-	17,715,000
Revenue Refunding Bond, William and Mary Foundation, Series 2011 (Refunding Variable Rate Revenue Bond - William and Mary Foundation, Series 2006, issued 12/1/2006)	2012	8,090,000	8,090,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013A Senior	2013	-	29,040,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013A Subordinated	2013	-	9,897,733
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013B Senior	2013	-	6,500,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013C Senior	2013	-	1,480,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2016	2016	-	6,547,777
Virginia United Methodist Homes of Williamsburg, Inc., Series 2021A	2021	26,800,000	-
Virginia United Methodist Homes of Williamsburg, Inc., Series 2021B	2021	29,365,000	-
Williamsburg Landing Inc., Series 2021	2021	71,330,000	-
		\$ 209,798,119	\$ 168,272,629

*The prior fiscal year is presented for comparative purposes only.

See accompanying independent auditors' report.