

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

FINANCIAL STATEMENTS AND COMPLIANCE SECTION

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

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ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
BOARD OF DIRECTORS

JUNE 30, 2020

Travis J. Pearson, Chairman
Three Chopt District
Term Expires November 13, 2023

Susan W. Custer, Vice Chair
Tuckahoe District
Term Expires November 13, 2022

Edward L. Whitlock, III, Treasurer
Tuckahoe District
Term Expires November 13, 2021

Dennis J. Berman, Secretary
Three Chopt District
Term Expires November 13, 2020

Jennifer Hendren
Brookland District
Term Expires November 13, 2020

S. Floyd Mays, Jr.,
Varina District
Term Expires November 13, 2022

Benjamin B. Miles
Fairfield District
Term Expires November 13, 2020

Harold D. Parker, Jr.
Fairfield District
Term Expires November 13, 2021

John M. Steele
Varina District
Term Expires November 13, 2023

Philip C. Strother, JD, LL.M.
Brookland District
Term Expires November 13, 2022

Report of Independent Auditor

To the Board of Directors
Economic Development Authority of Henrico County
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Economic Development Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and County of Henrico Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in March 2020, the World Health Organization declared COVID-19 a global pandemic. Given the uncertainty of the situation and the duration of any business disruption, the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

OTHER MATTERS***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefits trend information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 December 4, 2020, on our consideration of the Authority's internal control over financial reporting and 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.



Richmond, Virginia
December 4, 2020

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The Management Discussion and Analysis ("MD&A") offers the readers of the Economic Development Authority of Henrico County, Virginia's (the "Authority") financial statements a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2020.

Financial Highlights

In Fiscal Year 2020 ("FY2020"), there were no Industrial Revenue Bonds issued by the Authority.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Authority's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements: The government-wide financial statements, similar to those used by private-sector companies, report information about the Authority as a whole. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the Authority's finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

In the Statement of Net Position and the Statement of Activities, the Authority presents the following activity:

Governmental Activities – Economic development – operations, consists of expenses associated with salaries, other contractual services, payroll taxes, Henrico VCU scholarship, health insurance, travel, and advertising. Primarily, charges for the issuance of the bonds and operating contributions through the County of Henrico, Virginia's (the "County") appropriations to finance these activities.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are considered to be governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The Authority maintains two individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund and County of Henrico Fund, each of which is considered a major fund.

The Authority adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the General Fund and County of Henrico Fund to demonstrate compliance with this budget.

The basic governmental funds' financial statements can be found on pages 5-8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-26 of this report.

Government-Wide Financial Analysis

Statement of Net Position: The following table reflects condensed information on the Authority's net position:

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities and net deferred inflows of resources by \$16,520,385 at the close of the most recent fiscal year. 69% or \$11,454,632 of the Authority's net position reflect its investment in capital assets, net of related debt (e.g., building, vehicles, furniture and fixtures, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The remaining balance, unrestricted net position (31% of total) may be used to meet the Authority's ongoing obligations to citizens.

	Governmental Activities	
	June 30,	
	2020	2019
Current and other assets	\$ 5,795,829	\$ 1,993,238
Capital assets	11,454,632	1,505,031
Total assets	17,250,461	3,498,269
Net Deferred Outflows of Resources	114,888	76,373
Current and other liabilities	35,360	309,922
Long-term liabilities	228,896	192,851
Total liabilities	264,256	502,773
Net Deferred Inflows of Resources	80,708	84,417
Net investment in capital assets	11,454,632	1,505,031
Unrestricted	5,065,753	1,482,421
Total net position	\$ 16,520,385	\$ 2,987,452

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Statement of Activities: Total revenues and expenses for Authority activities are reflected in the following table:

	Governmental Activities	
	Years Ended June 30,	
	2020	2019
Expenses:		
Economic development – operations	\$ 4,511,952	\$ 2,194,210
Depreciation	55,699	48,858
Total Expenses	4,567,651	2,243,068
Program Revenues:		
Charges for services:		
Fees	180,915	236,949
Operating contributions:		
Appropriation from the County of Henrico	3,502,375	1,693,633
Total Program Revenues	3,683,290	1,930,582
Net Program Expenses	(884,361)	(312,486)
General Revenues:		
Interest income	59,816	27,134
Miscellaneous income	989,017	168,726
Donated assets	10,000,000	-
Gain on disposal of assets	3,368,461	8,414
Total General Revenues	14,417,294	204,274
Change in net position	13,532,933	(108,212)
Beginning of year	2,987,452	3,095,664
End of year	\$ 16,520,385	\$ 2,987,452

Revenues: For FY2020, revenues from all sources totaled \$18,100,584. Donated assets is the largest component of revenues. Appropriations from the County are a significant source of operating contributions. Other sources of revenues consist of fees collected for the issuance of bonds and interest income received on the Authority's investments. The donated asset relates to the County's donation of a \$10 million tract of land.

Expenses: For FY2020, expenses totaled \$4,567,651. Operating expenses for the Authority's activities totaled \$4,511,952 and were comprised primarily of salaries and related benefits, payouts in accordance with economic development performance agreements, contractual services, and advertising and promotion. For government-wide financial reporting requirements, depreciation expense is allocated to Authority activities and retirement of principal on long-term debt is not shown as an expense.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

The following table is a summary of the fund balances for the major funds of the Authority:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
General Fund	\$ 5,260,469	\$ 1,683,316
County of Henrico Fund	\$ -	\$ -

The County of Henrico Fund accounts for the costs associated with the Authority designated as the official Economic Development Organization for the County. Funding is provided from the County in the form of annual appropriations, which are derived from an annual operating budget.

General Government Functions: The following schedule presents a summary of revenues of the General Fund and the County of Henrico Fund combined, for the fiscal year ended June 30, 2020, and the amount and percentage of increases and decreases in relation to prior year.

	<u>2020</u>	<u>Percent</u>	<u>2019</u>	<u>Increase</u>	<u>Percent</u>
	<u>Amount</u>	<u>of Total</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Increase</u>
				<u>From 2019</u>	<u>(Decrease)</u>
Revenues:					
Fees	\$ 180,915	2.2%	\$ 236,949	\$ (56,034)	(23.65%)
Other revenues	4,411,294	54.5%	204,274	4,207,020	2059.50%
Appropriation from the County of Henrico	3,502,375	43.3%	1,693,633	1,808,742	106.80%
Total Revenues	<u>\$ 8,094,584</u>	<u>100.00%</u>	<u>\$ 2,134,856</u>	<u>\$ 5,959,728</u>	<u>279.16%</u>

Appropriations from the County are a significant source of operating contributions, and the principal reason for the variance from FY2019 is the receipt of County funds toward economic development performance agreements. The principal reasons for the variance in other revenues from FY2019 are additional interest income received on the Authority's investments, proceeds from the sale of a 70-acre parcel at the White Oak Technology Park, and reimbursement from the Commonwealth of Virginia through the Virginia Brownfields Assistance Fund (VBAF) grant issued by the Virginia Economic Development Partnership.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The following schedule presents a summary of expenditures of the General Fund and County of Henrico Fund combined, for the fiscal year ended June 30, 2020, and the percentage of increases and decreases in relation to prior year amounts.

	2020 Amount	Percent of Total	2019 Amount	Increase (Decrease) From 2019	Percent Decrease
Expenditures:					
Economic development - operations	\$ 4,510,902	99.86%	\$ 2,249,077	\$ 2,261,825	100.57%
Capital outlay	6,529	0.14%	17,399	(10,870)	(62.47%)
Total Expenditures	\$ 4,517,431	100.00%	\$ 2,266,476	\$ 2,250,955	99.32%

The increase in expenditures year over year is attributed to County pass-through funds for economic development performance agreements.

FY2020 General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Fees	\$ 174,192	\$ 174,192	\$ 180,915	\$ 6,723
Appropriation from the County of Henrico	1,043,175	1,043,175	1,081,175	38,000
Gain on disposal of assets	-	-	3,362,461	3,362,461
Other income	53,000	53,000	1,048,833	995,833
Total Revenues	\$ 1,270,367	\$ 1,270,367	\$ 5,673,384	\$ 4,403,017
Expenditures	\$ 1,270,367	\$ 1,270,367	\$ 2,096,231	\$ (825,864)

The EDA's normal operating expenditures were under budget. Other income exceeded the budgeted amount due to unpredictable returns on commercial paper held by the EDA, payments received for the White Oak Technology Park, and site remediation services in accordance with the Virginia Brownfields Assistance Fund grant agreement of approximately \$190,000.

FY2020 County of Henrico Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Appropriation from the County of Henrico	\$ 1,056,641	\$ 1,056,641	\$ 2,421,200	\$ 1,364,559
Expenditures	\$ 1,056,641	\$ 1,056,641	\$ 2,421,200	\$ (1,364,559)

The main variance from budget to actual is attributed to County pass-through funds for economic development performance agreements.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Capital Assets and Debt Administration

Capital Assets: The Authority's investment in capital assets for the years ended June 30, 2020 and 2019 is reflected in the schedule below.

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Nondepreciable capital assets:				
Land	\$ 2	\$ 10,000,000	\$ -	\$ 10,000,002
Total capital assets not being depreciated	<u>2</u>	<u>10,000,000</u>	<u>-</u>	<u>10,000,002</u>
Depreciable capital assets:				
Automobiles	91,486	-	(24,743)	66,743
Building	2,177,082	-	-	2,177,082
Furniture and equipment	76,162	-	-	76,162
Audio visual equipment	7,448	-	-	7,448
Leasehold improvements	11,170	-	-	11,170
Data processing equipment	34,478	5,300	-	39,778
Total capital assets being depreciated	2,397,826	5,300	(24,743)	2,378,383
Less accumulated depreciation	<u>(892,797)</u>	<u>(55,699)</u>	<u>24,743</u>	<u>(923,753)</u>
Total capital assets being depreciated, net	<u>1,505,029</u>	<u>(50,399)</u>	<u>-</u>	<u>1,454,630</u>
Capital assets, net	<u>\$ 1,505,031</u>	<u>\$ 9,949,601</u>	<u>\$ -</u>	<u>\$ 11,454,632</u>

Long-Term Debt: The Authority's long-term debt for the years ended June 30, 2020 and 2019 is reflected in the schedule below:

	<u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>	<u>One Year</u>
Compensated absences	\$ 86,960	\$ 50,402	\$ (35,215)	\$ 102,147	\$ -

Economic Factors and Next Year's Budgets

During fiscal year 2019-2020, the Henrico Economic Development Authority announced 14 projects, representing the recruitment of new businesses expansions of existing Henrico companies. Together, these announcements represent 3,574 jobs, \$162.6 million in capital investment, \$208.7 million in annual wages, and 753,451 square feet of space. In FY2020, the Authority adopted a Strategic Plan that sets an ambitious agenda for the near- and long-term to grow Henrico's economy for all. That plan is available at www.Henrico.com, and the EDA staff provides quarterly strategic plan progress reports to the Authority.

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally and disrupted economic markets. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Authority's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Authority's finances. Should you have any questions about this report or need additional information, please contact:

Mr. Anthony Romanello
Executive Director
Economic Development Authority of Henrico County, Virginia
4300 E. Parham Road
Henrico, Virginia 23228-2752

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS' BALANCE SHEET

JUNE 30, 2020

	Major Funds				Governmental
	General	County		Adjustments	Activities
	Fund	of	Total	(Note 2)*	Statement of
		Henrico Fund			of Net Position
ASSETS					
Cash and cash equivalents	\$ 297,088	\$ -	\$ 297,088	\$ -	\$ 297,088
Investments	5,261,335	-	5,261,335	-	5,261,335
Due from Henrico County	13,881	-	13,881	-	13,881
Other receivables	223,525	-	223,525	-	223,525
Capital Assets:					
Land	-	-	-	10,000,002	10,000,002
Building	-	-	-	2,177,082	2,177,082
Automobiles	-	-	-	66,743	66,743
Furniture and equipment	-	-	-	76,162	76,162
Audio visual equipment	-	-	-	7,448	7,448
Leasehold improvements	-	-	-	11,170	11,170
Data processing equipment	-	-	-	39,778	39,778
Less accumulated depreciation	-	-	-	(923,753)	(923,753)
Total Assets	5,795,829	-	5,795,829	11,454,632	17,250,461
Deferred Outflows of Resources:					
Deferred outflows related to pensions	-	-	-	112,524	112,524
Deferred outflows related to OPEB	-	-	-	2,364	2,364
Total Deferred Outflows of Resources	-	-	-	114,888	114,888
LIABILITIES/FUND BALANCE					
Accounts payable and accrued expenses	35,360	-	35,360	-	35,360
Performance agreement payable	500,000	-	500,000	-	500,000
Long-term Liabilities:					
Net pension liability	-	-	-	96,273	96,273
Net OPEB liability	-	-	-	30,476	30,476
Compensated absences	-	-	-	102,147	102,147
Total Liabilities	535,360	-	535,360	228,896	764,256
Deferred Inflows of Resources:					
Deferred inflows related to pensions	-	-	-	80,708	80,708
Fund Balance:					
Unassigned	5,260,469	-	5,260,469	5,260,469	-
Total Fund Balance	5,260,469	-	5,260,469		
Total Liabilities and Fund Balance	\$ 5,795,829	\$ -	\$ 5,795,829		
Net Position:					
Net investment in capital assets				11,454,632	11,454,632
Unrestricted				5,065,753	5,065,753
Total Net Position				\$ 16,520,385	\$ 16,520,385

* Note 2 provides the details for the main components of the adjustments.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2020

	Major Funds				Governmental
	County				Activities
	General	of	Total	Adjustments	Statement
	Fund	Henrico Fund		(Note 2)*	of Activities
Expenditures/Expenses:					
Economic development - operations	\$ 2,090,073	\$ 2,420,829	\$ 4,510,902	\$ (179)	\$ 4,510,723
Capital outlay	6,158	371	6,529	(5,300)	1,229
Depreciation	-	-	-	55,699	55,699
Total Expenditures/Expenses	2,096,231	2,421,200	4,517,431	50,220	4,567,651
Program Revenues:					
Charges for Services:					
Fees	180,915	-	180,915	-	180,915
Operating Contributions:					
Appropriation from the County of Henrico	1,081,175	2,421,200	3,502,375	-	3,502,375
Total Program Revenues	1,262,090	2,421,200	3,683,290	-	3,683,290
Net Program Expenses					(884,361)
General Revenues:					
Interest income	59,816	-	59,816	-	59,816
Miscellaneous income	989,017	-	989,017	-	989,017
Donated assets	-	-	-	10,000,000	10,000,000
Gain on disposal of assets	3,362,461	-	3,362,461	6,000	3,368,461
Total General Revenues	4,411,294	-	4,411,294	10,006,000	14,417,294
Change in net position	3,577,153	-	3,577,153	9,955,780	13,532,933
Fund balances/net position - beginning	1,683,316	-	1,683,316	1,304,136	2,987,452
Fund balances/net position - ending	<u>\$ 5,260,469</u>	<u>\$ -</u>	<u>\$ 5,260,469</u>	<u>\$ 11,259,916</u>	<u>\$ 16,520,385</u>

* Note 2 provides the details for the main components of the adjustments.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fees	\$ 174,192	\$ 174,192	\$ 180,915	\$ 6,723
Interest	15,000	15,000	59,816	44,816
Appropriation from the County	1,043,175	1,043,175	1,081,175	38,000
Miscellaneous income	38,000	38,000	575,589	537,589
Gain on disposal of assets	-	-	3,362,461	3,362,461
VBAF - site remediation	-	-	413,428	413,428
Total Revenues	1,270,367	1,270,367	5,673,384	4,403,017
Expenditures:				
Current:				
Personnel Costs:				
Salaries	835,675	835,675	822,536	13,139
Payroll taxes	57,000	57,000	55,388	1,612
Retirement and fringe benefits	223,500	223,500	224,743	(1,243)
Program Expenses:				
Business First	2,000	2,000	510	1,490
Dues	5,000	5,000	5,013	(13)
Scholarships	50,000	50,000	50,000	-
Business development	3,592	3,592	1,236	2,356
Travel	-	-	1,714	(1,714)
White Oak Park expenses	-	-	57,221	(57,221)
General and Administrative:				
Directors' fees	35,000	35,000	26,200	8,800
Flowers/contributions	300	300	47	253
Food supplies and service	3,100	3,100	2,554	546
Gasoline and auto	2,000	2,000	732	1,268
Lease expense - equipment	7,700	7,700	7,652	48
Licensing	3,500	3,500	-	3,500
Miscellaneous	38,000	38,000	832,527	(794,527)
Tuition and seminars	3,000	3,000	2,000	1,000
Utilities	1,000	1,000	-	1,000
Capital Outlay:				
Capital assets	-	-	6,158	(6,158)
Total Expenditures	1,270,367	1,270,367	2,096,231	(825,864)
Excess of revenues over expenditures	\$ -	\$ -	3,577,153	\$ 3,577,153
Fund balance - beginning			1,683,316	
Fund balance - ending			\$ 5,260,469	

The accompanying notes to the financial statements are an integral part of this statement.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
COUNTY OF HENRICO FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Appropriation from the County	\$ 1,056,641	\$ 1,056,641	\$ 2,421,200	\$ 1,364,559
Total Revenues	1,056,641	1,056,641	2,421,200	1,364,559
Expenditures:				
Current:				
Program Expenses:				
Advertising and promotion	469,597	469,597	465,764	3,833
Dues and membership	17,310	17,310	17,308	2
Payments to other organizations	350,000	350,000	1,715,000	(1,365,000)
Travel	33,331	33,331	33,241	90
General and Administrative:				
Accounting and auditing	36,835	36,835	36,834	1
Books and subscriptions	838	838	678	160
Food supplies and service	4,600	4,600	4,525	75
Gasoline and auto	1,109	1,109	997	112
Landscaping	100,209	100,209	100,062	147
Office expense	4,679	4,679	4,404	275
Other miscellaneous	500	500	6,352	(5,852)
Postal services	1,500	1,500	1,037	463
Printing and binding	21	21	21	(0)
Telecommunications	7,448	7,448	6,638	810
Utilities	28,214	28,214	27,968	246
Capital Outlay:				
Computer equipment	100	100	371	(271)
Telecom equipment	350	350	-	350
Total Expenditures	1,056,641	1,056,641	2,421,200	(1,364,559)
Excess of revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balance - beginning			-	
Fund balance - ending			\$ -	

The accompanying notes to the financial statements are an integral part of this statement.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies

A. Reporting Entity

The Economic Development Authority of Henrico County, Virginia (the “Authority”) was created by ordinance of the Board of Supervisors of Henrico County, Virginia (the “Board of Supervisors”) as a political subdivision of the Commonwealth of Virginia pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia (the “Act”) (then Chapter 33 of Title 15.1, now Chapter 49 of Title 15.2, of the Code of Virginia (1950), as amended). Ten directors appointed by the Board of Supervisors govern the Authority. It is authorized, among other things, to acquire, own, lease, and dispose of properties and to make loans to the end that the Authority may promote industry and develop trade by inducing manufacturing, industrial, governmental, nonprofit, and commercial enterprises and institutions of higher learning to locate in and remain in Virginia. The Act empowers the Authority to issue bonds for the purpose of carrying out any of its powers. Bonds issued by the Authority, pursuant to the Act, are not deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia or any of its political subdivisions, including Henrico County, Virginia (“County”) and the Authority, but are limited obligations of the Authority payable solely from the revenues and moneys pledged for that purpose by the entity for whose benefit the bonds were issued. Reference should be made to the Act for a more complete description of the Authority’s powers and duties, and of its liability for the bonds that it issues.

B. Basis of Presentation

The basic financial statements have been presented in a combined format that presents both the government-wide financial statements and the fund financial statements as described below.

Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities, whether short-term or long-term, of the Authority. Governmental activities are supported by charges for services, which consist of industrial revenue bond filing fees, and operating contributions, which consist of support from the County of Henrico, Virginia (the “County”).

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers for filing fees associated with the issuance of industrial revenue bonds and 2) operating contributions that are received from the County based on an annual operating budget. Other items not properly included as program revenues are reported as general revenues.

Fund financial statements

The fund financial statements (i.e., Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) of the Authority’s governmental funds reports the finances of the Authority and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Authority during the year or shortly thereafter.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

Whereas the government-wide financial statements provide an all-encompassing view of all the Authority's finances, the fund financial statements provide a narrower look at the Authority's current resources as noted above. In Note 2 of the notes to financial statements, a reconciliation is provided that explains the reasons why total fund balance in the Balance Sheet differs from the total net position in the government-wide Statement of Net Position. In addition, a reconciliation is provided explaining the differences between the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the change in net position on the Statement of Activities. The differences noted on the reconciliations relate to the fact that the fund financial statements primarily report short-term financial information, whereas the government-wide statements report both short and long-term financial information. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the Authority and is used to account for all of the Authority's expendable financial resources and related liabilities not accounted for in the County of Henrico Fund.

County of Henrico Fund – As the Authority is designated as the official Economic Development Organization for the County of Henrico and it is authorized to act on behalf of the County Board of Supervisors. It also receives support from the County in the form of annual appropriations, which are derived from an annual operating budget. Such appropriations are maintained and shown in the County of Henrico Fund.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for un-accrued principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

D. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

E. Cash and Cash Equivalents

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. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

F. Investments

Investments with a maturity date of greater than one year from the date of purchase are stated at fair value and investments with a maturity date of one year or less from the date of purchase are stated at amortized cost, which approximates fair value, in accordance with U.S. GAAP.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements and are recorded at cost where historical records are available and at an estimated historical cost where no historical cost records exist. Contributed capital assets are recorded at the acquisition value at the time of the receipt.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Authority capitalizes all equipment purchases exceeding \$500.

The Authority depreciates capital assets using the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Buildings	50 years
Leasehold improvements	7 years
Furniture and fixtures	7 years
Vehicles	5 years
Data processing equipment	5 years

H. Allowance for Uncollectible Fees Receivable

An allowance for uncollectible fees receivable is generally established using historical collection data, consideration of economic conditions, specific account analysis, and subsequent cash receipts. At June 30, 2020, all amounts are considered collectible and, therefore, no allowance was deemed necessary.

I. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as noncurrent liabilities.

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System ("VRS"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

K. Other Postemployment Benefits Plan

The Authority participates in the County's Other Postemployment Benefits ("OPEB") plan. OPEB plan contributions are actuarially determined. For purposes of measuring OPEB plan net liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are determined by an annual actuarial valuation.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the Balance Sheet and the Statement of Net Position may report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority reports deferred outflows of resources related to pensions resulting from changes in assumptions and differences between expected and actual plan experience, which are amortized over the remaining service live of all participants, in addition to pension contributions made subsequent to the measurement date, which will be recognized as a reduction of the liability in the following year.

In addition to liabilities, the Balance Sheet and the Statement of Net Position may report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Authority reports deferred inflows of resources related to pensions resulting from changes in assumptions and differences between expected and actual plan experience, which are amortized over the remaining service live of all participants, in addition to investment returns different than projected earnings, which are deferred and amortized over a period no greater than five years.

M. Sources of Revenue

Each entity applying for industrial revenue bonds must pay a filing fee. If bonds are subsequently issued, the entity must then pay an annual service fee until the bonds are retired.

The Authority is also designated as the official economic development organization for the County and, as such, is authorized to act on behalf of the County Board of Supervisors to accomplish an economic development program for the County. Although the Authority is independent of the County, it receives support from the County in the form of an annual operating budget. The expenditures, which are paid by the County and are subject to the same controls as departments within the County, are presented in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. These expenditures are also reported in the County's comprehensive annual financial report on a fiscal year basis.

The Authority employs its own staff, manages its own day-to-day operations, and sets the fees charged and approves the expenditures of those fees.

N. Net Position

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

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1—Summary of significant accounting policies (continued)

O. Fund Balance

In the governmental funds' financial statements, fund balance may be composed of restricted and unassigned balances classified dependent of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed by unassigned fund balance. Specifically:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors.

Unassigned Fund Balance – The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as restricted. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

Note 2—Reconciliation of government-wide and fund financial statements

Explanation of Differences between the Governmental Funds' Balance Sheet and the Statement of Net Position

Amounts reported for total governmental funds are different from the amounts reported in the Statement of Net Position because:

Ending fund balance - governmental funds	\$ 5,260,469
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, not being depreciated:	
Land	10,000,002
Capital assets, being depreciated:	
Building	2,177,082
Automobiles	66,743
Furniture and fixtures	76,162
Audio visual equipment	7,448
Leasehold improvements	11,170
Data processing equipment	39,778
Total capital assets	12,378,385
Less accumulated depreciation	(923,753)
Capital assets, net	11,454,632
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(96,273)
Net OPEB liability	(30,476)
Net deferred inflows	(80,708)
Net deferred outflows	114,888
Compensated absences	(102,147)
Net position of governmental activities	\$ 16,520,385

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2—Reconciliation of government-wide and fund financial statements (continued)

Explanation of Differences between Governmental Funds' Statement of Revenues, Expenses, and Changes in Fund Balance and the Statement of Activities

Amounts reported for governmental funds differ from the amounts reported in the Statement of Activities because:

Net change in fund balances - total governmental funds	<u>\$ 3,577,153</u>
--	---------------------

When capital assets used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay	5,300
Depreciation expense	(55,699)
Gain on disposal of assets	6,000

Donations of capital assets increase revenues in the Statements of Changes in Net Position, but do not appear in the governmental funds because they are not financial resources.

10,000,000

Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the Statement of Activities, they are reported as expenses.

Compensated absences	15,187
Net pension and OPEB related activity	<u>(15,008)</u>
Subtotal	<u>9,955,780</u>
Change in net position	<u><u>\$ 13,532,933</u></u>

Note 3—Stewardship, compliance, and accountability

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds. The Executive Director submits to the Authority's Finance Committee an annual operating budget for the Authority and in addition submits to the County Board of Supervisors an annual operating budget of Authority expenditures, which are funded through County appropriations for the fiscal year commencing the following July. The Authority's operating budget includes proposed expenditures and the means of financing them. Prior to June 30, the budgets are legally enacted through the passage of appropriations by the Authority's Board of Directors and the County Board of Supervisors. Annual appropriations place legal restrictions on expenditures and can be revised by only the Authority's Board of Directors if pertaining to the Authority's operating budget and the County Board of Supervisors if pertaining to the Authority's operating budget funded through County appropriations.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4—Deposits and investments

As of June 30, 2020, the fair value of the Authority's deposits and investments was as follows:

	Fair Value
Demand deposits	\$ 297,088
Commercial paper	505,816
Certificates of deposit	2,001,189
LGIP - Amortized Cost	2,653,829
Money Market - Amortized Cost	100,501
	\$ 5,558,423

Deposits – The Authority's deposits with financial institutions are fully covered by federal depository insurance or collateralized in accordance with the Virginia Security of Public Deposits Act (the "Deposits Act"). Under the Deposits Act, banks or financial institutions holding public depositories in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments – The Authority follows a deposit and investment policy in accordance with the Commonwealth of Virginia statutes. Investment instruments include commercial paper, certificates of deposit, Commonwealth of Virginia Local Government Investment Pool (the "LGIP"), a 2a-7 like pool, and money markets. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1 - 359 et seq. Securities are held in safekeeping by the respective financial institutions.

Fair Value Hierarchy – The Authority categorizes its fair value measurements within the fair value hierarchy based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are inputs (other than quoted market prices included within Level 1) that are observable for the asset either directly or indirectly. Level 2 observable inputs can be either prices for similar assets in active markets or prices for identical assets in non-active markets. Level 3 inputs are significant unobservable inputs (the County does not value any of its investments using Level 1 or Level 3 inputs). The following is a summary of the fair value hierarchy of the Authority as of June 30, 2020:

Investment by Fair Value - Level 2

	Fair Value
Commercial paper	\$ 505,816
Certificates of deposit	2,001,189
	\$ 2,507,005

Investment Risk Disclosures

The Authority's Investment Policy Statement ("IPS") does not set prescribed guidelines for investing related credit risk, interest risk, or custodial credit risk, but does address concentration of credit risk by setting a target allocation of resources between cash (30%) and fixed income investments (70%) using Barclays Aggregate Bonds as the benchmark.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4—Deposits and investments (continued)

Credit Risk – State statutes allow the Authority to invest in, amongst other things, obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia, obligations of any city, county, or town, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and money market mutual funds. During the fiscal year, the Authority's commercial paper investment carried a rating of A-1 from Standards & Poor's and LGIP carried a rating of AAAm. The Authority's only commercial paper investment is with one issuer, MUFG Bank.

Note 5—Capital assets

Capital assets at June 30, 2020 were composed of the following amounts:

	July 1, 2019	Increases	Decreases	June 30, 2020
Nondepreciable capital assets:				
Land	\$ 2	\$ 10,000,000	\$ -	\$ 10,000,002
Total capital assets not being depreciated	2	10,000,000	-	10,000,002
Depreciable capital assets:				
Automobiles	91,486	-	(24,743)	66,743
Building	2,177,082	-	-	2,177,082
Furniture and equipment	76,162	-	-	76,162
Audio visual equipment	7,448	-	-	7,448
Leasehold improvements	11,170	-	-	11,170
Data processing equipment	34,478	5,300	-	39,778
Total capital assets being depreciated	2,397,826	5,300	(24,743)	2,378,383
Less accumulated depreciation	(892,797)	(55,699)	24,743	(923,753)
Total capital assets being depreciated, net	1,505,029	(50,399)	-	1,454,630
Capital assets, net	\$ 1,505,031	\$ 9,949,601	\$ -	\$ 11,454,632

On March 28, 2013, for the price of \$1, the County transferred ownership of 2.448 acres of land with all improvements, owned by the County, and located at 4060 Innslake Drive in the Three Chopt District, to the Authority. The Authority was then authorized to lease the property to Genetworx LLC ("tenant"), a Virginia limited liability company, for a term of three years with an option to purchase at the end of the lease on February 29, 2016, at fair market value to be determined in accordance with the terms and conditions of the lease. On February 18, 2016, the terms of this lease were extended for an additional three years, expiring on February 28, 2019. On February 7, 2019, the terms of this lease were extended for an additional three years, expiring on February 28, 2022. During the term of the lease, the Authority will remit to the County all rents received, less the cost of the operational expenditures. The proceeds of the sale, less standard closing costs incurred by the Authority, shall be remitted to the County. Should the tenant choose not to purchase the leased property or if the lease is otherwise terminated, the Authority shall re-convey the property to the County in the same condition as existed at the Commencement Date, less normal wear and tear and any structural modifications or alterations for the consideration of \$1 within a period not to exceed six months.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 5—Capital assets (continued)

During the fiscal year ended June 30, 2020, the Authority sold land, per an established agreement with the Commonwealth of Virginia, to a third party and recognized a gain of \$3,362,461

Note 6—Long-term debt

Long-term debt activities for the year ended June 30, 2020 were as follows:

	July 1, 2019	Increases	Decreases	June 30, 2020	One Year
Compensated absences	\$ 86,960	\$ 50,402	\$ (35,215)	\$ 102,147	\$ -

The Authority had outstanding accrued leave totaling \$102,147 at June 30, 2020. The compensated absences liability for the Authority are accounted for on a last-in first-out basis, which assumes that the employees are taking time as it is earned, and the liability is reported as long term.

Note 7—Conduit debt – revenue bonds and notes issued

The Authority is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds (“IRBs”) on behalf of qualified businesses wanting to promote industry and develop trade within the County. Principal and interest on the IRBs are paid entirely by the businesses. The terms of the IRBs stipulate that neither the Authority nor the County guarantees the repayment of principal and interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. The Authority has issued over \$512 million of IRBs since 2008. During the year ended June 30, 2020, no IRBs were issued or refunded.

Note 8—Defined benefit pension plan

Plan Description – The Authority contributes to the VRS, an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Members can earn one month of service credit for each month they are employed and contributions are deposited into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with five years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7% of their average final compensation (“AFC”) for each year of credited service (1.85% for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (“COLA”) beginning in their second year of retirement. The COLA is limited to 5% per year in their second year. AFC is defined as the highest consecutive 36 months of compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8—Defined benefit pension plan (continued)

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500, or the report can be downloaded from the VRS website at www.varetire.org.

Membership as of the Valuation Date of June 30, 2018:

Inactive Members or their beneficiaries currently receiving benefits	4
Inactive Members:	
Vested	-
Nonvested	-
Active elsewhere in VRS	4
Total Inactive Members	4
Active members	9
Total	17

Funding Policy – Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2020 was 9.68% of annual covered payroll.

Actuarial Assumptions – The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for U.S. GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates: 15% of deaths are assumed to be service related:

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8—Defined benefit pension plan (continued)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Long-Term Expected Rate of Return – The long-term expected rate of return on pension investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS	6.00%	3.52%	0.21%
PIP	3.00%	6.29%	0.19%
Total	100.00%		5.13%
	Inflation		2.50%
			7.63%

* Expected arithmetic nominal return

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8—Defined benefit pension plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability – The most recent actuarial valuation to determine the net pension liabilities for the Authority was prepared as of June 30, 2019. The total pension liability was determined based on that actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

The Net Pension Liability as of the Authority's reporting date (June 30, 2020) was calculated as of the measurement date of June 30, 2019. The changes in Net Pension Liability are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance - June 30, 2018	\$ 2,467,128	\$ 2,383,645	\$ 83,483
Changes for the year:			
Service cost	84,908	-	84,908
Interest	167,993	-	167,993
Changes of assumptions	51,422	-	51,422
Differences between expected and actual experience	(40,609)	-	(40,609)
Contributions - employer	-	57,886	(57,886)
Contributions - employee	-	35,983	(35,983)
Net investment income	-	158,726	(158,726)
Benefit payments, including refunds of employee contributions	(134,445)	(134,445)	-
Administrative expense	-	(1,571)	1,571
Other changes	-	(100)	100
Net changes	129,269	116,479	12,790
Balances - June 30, 2019	\$ 2,596,397	\$ 2,500,124	\$ 96,273

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8—Defined benefit pension plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Net Pension Liability of the Authority, calculated using the discount rate of 6.75%, as well as what the Authority's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	<u>\$ 324,380</u>	<u>\$ 96,273</u>	<u>\$ (90,321)</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Authority recognized pension expense of \$27,070. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,572
Difference between projected and actual earnings on pension plan investments	-	21,407
Changes in assumptions	32,858	5,729
Employer contributions subsequent to the measurement date	79,666	-
	<u>\$ 112,524</u>	<u>\$ 80,708</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of pension expense in the year ended June 30, 2021. The collected amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Years Ending June 30,

2021	\$ (23,422)
2022	(25,201)
2023	(557)
2024	1,330
	<u>\$ (47,850)</u>

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9—Other postemployment benefits (“OPEB”)

Plan Description – The County provides other postemployment healthcare benefits for retired employees of the Authority through the County of Henrico Post Retirement Benefits Plan, a single-employer defined benefit OPEB plan (“Plan”). The benefit levels, employee contributions, and employer contributions are governed by the County and can be amended by the County. The County participates in the Virginia Pooled OPEB Trust Fund (“Trust Fund”), an irrevocable trust established for the purpose of accumulating assets to fund postemployment healthcare benefits other than pensions.

Healthcare Benefits – The County provides health and dental care benefits during retirement for retirees and their dependents. Employees who wish to have County sponsored health and dental care coverage must enroll within 31 days of the date their employment coverage ends. Employees retiring with an immediate VRS monthly retirement payment may elect to be covered under the County sponsored medical and dental plan at the time they retire. Benefits are provided through a third party insurer.

Eligible retirees under the age of 65 and their dependents, can remain in the County health and dental plans. Medicare eligible retirees at age 65, move to a Medicare carve-out plan which is coordinated with Medicare. Upon the death of the retiree, surviving spouses may elect to remain in the County’s plan.

Current County retirees who qualify for health benefits receive an implicit rate subsidy by participating in the active employee health care risk pool.

Membership – At June 30, 2020, membership for the postemployment healthcare benefits consisted of:

Retirees and beneficiaries	-
Active employees	8
Total	<u>8</u>

Funding Policy – The County currently contributes amounts to the Virginia Pooled OPEB Trust Fund for the postemployment healthcare benefits. The Board of the Trust Fund establishes rates based on an actuarially determined rate. Contributions are irrevocable and shall be dedicated to providing other postemployment benefits or to defray reasonable expenses of the Trust Fund. For the year ended June 30, 2020, the Authority made pay-as-you-go contributions to cover benefit payments of \$720.

Net OPEB Liability and OPEB Expense – For purposes of measuring the net postemployment Healthcare OPEB liability, deferred outflows, and deferred inflows of resources, OPEB expense and the additions to/deductions from net fiduciary position have been determined on the same basis as they were reported as of June 30, 2020. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2020, the Authority reported a net postemployment Healthcare OPEB liability of \$30,476. For the year ended June 30, 2020, the Authority recognized Healthcare OPEB expense of \$6,424.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9—Other postemployment benefits (“OPEB”) (continued)

At June 30, 2020, the Authority’s net Healthcare OPEB liability is as follows:

Total Healthcare OPEB Liability	\$	30,476
Fiduciary net position		-
Net Healthcare OPEB Liability	\$	30,476

Changes in the Net Healthcare OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance - June 30, 2019	\$ 22,408	\$ -	\$ 22,408
Changes for the year:			
Service cost	4,033	-	4,033
Interest	1,800	-	1,800
Experience losses (gains)	2,955	-	2,955
Contributions - employer	-	720	(720)
Benefit payments, including refunds of employee contributions	(720)	(720)	-
Net changes	8,068	-	8,068
Balances - June 30, 2020	\$ 30,476	\$ -	\$ 30,476

Actuarial Methods and Assumptions – The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the June 30, 2020 actuarial valuation, which was used for the June 30, 2020 measurement date for other postemployment healthcare benefits, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7% discount rate of return, salary increases of 2.5% annually, and an annual healthcare cost trend rate of 7.5% trending uniformly to 6.75% over the next 3 years and ultimately to a rate of 4.04% in the year 2075. The remaining closed amortization period beginning July 1, 2017, for the calculation of contributions, was 20 years. Experience gains or losses are amortized over the average working lifetime of all participants, which is 8 years for the current period. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5-year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants. The County plans to continue to fund the OPEB Trust annually and has no plans to currently pay any benefits out of the OPEB Trust.

Mortality rates:

Pre-Commencement:

RP-2014 Employee Mortality Table projected with Scale BB to 2020; then set back 1 year for males and set back 1 year for females.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9—Other postemployment benefits (“OPEB”) (continued)

Post-Commencement:

RP-2014 Healthy Annuitant Mortality Table projected with Scale BB to 2020; then set forward 1 year for males and set back 1 year for females. Females have 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disabled Mortality Table projected with Scale BB to 2020; males 115% of rates, females 130% of rates.

Discount Rate – The discount rate used to measure the total Healthcare OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contribution rates.

Sensitivity of the net Healthcare OPEB liability to changes in the discount rate

The following presents the Authority’s OPEB liability calculated using the discount rate of 7%, as well as what the net Healthcare OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net OPEB liability	\$ 32,600	\$ 30,476	\$ 28,564

Sensitivity of the net Healthcare OPEB liability to changes in the healthcare cost trend rate

The following presents the Authority’s OPEB liability calculated using the healthcare cost trend assumption rate of 8%, as well as what the net Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% Decrease 6.5% decreasing to 5.75% over 3 years	Current 7.5% decreasing to 6.75% over 3 years	1% Increase 8.5% decreasing to 7.75% over 3 years
Net OPEB liability	\$ 27,789	\$ 30,476	\$ 33,589

Deferred Outflows and Inflows of Resources Related to Healthcare OPEB – At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,364	\$ -
	\$ 2,364	\$ -

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9—Other postemployment benefits (“OPEB”) (continued)

The collected amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Years Ending June 30,

2021	\$	591
2022		591
2023		591
2024		591
		<u>591</u>
	\$	<u>2,364</u>

Note 10—Lease commitments

The Authority has been authorized to execute a lease agreement with the County Board of Supervisors, as lessor, and the Authority, as the lessee. The term of the lease is 50 years with an annual consideration of \$1 for the 2.5-acre parcel of land located at the northwest corner of Parham and Hermitage High Boulevard. As part of the lease agreement, the Authority agreed to construct an office building, parking lot, and other appurtenant facilities on the premises. The building and all facilities shall revert to the lessor at termination of the lease.

The Authority leases office equipment under noncancelable operating lease agreements expiring September 30, 2020. Total rental expense under all operating leases was \$7,652 for the fiscal year ended June 30, 2020. Future minimum rental payments under these operating leases will be \$1,109.

Note 11—Claims and judgments

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

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 maintains a comprehensive property and casualty policy, a commercial general liability policy, a comprehensive liability vehicle policy, and coverage for Authority errors and omissions, workers’ compensation and employer’s liability, and certain other risks with commercial insurance companies. There have been no significant reductions in insurance coverage in comparison to coverage in the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12—Risks and uncertainties

During 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally and disrupted economic markets. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Authority’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

Note 13—Subsequent events

In preparation of its financial statements, the Authority considered subsequent events through December 4, 2020, which was the date the Authority’s financial statements were available to be issued.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

Note 14—Performance agreements

Effective November 21, 2019, the Authority entered into a performance agreement with PPD to expand their pharmaceutical testing operations in the County. The agreement provides for a rebate of up to \$675,000 of business personal property taxes paid over a three-year period. These funds are matched by a \$675,000 grant from the Commonwealth Opportunity Fund. PPD will add 200 jobs and invest \$63.7 million.

Effective March 19, 2020, the Authority entered into a performance agreement with ePac to facilitate their investment in the County. The agreement provides a rebate of up to \$37,500 based upon machinery and tools taxes paid over a three-year period. The company will invest \$6.5 million and hire 35 people.

Effective March 19, 2020, the Authority entered into a performance agreement with Moore/Richmond Print Group to facilitate their investment in the County. The agreement provides a rebate of up to \$100,000 in machinery and tools taxes paid over a four-year period. These funds are matched by a \$100,000 grant from the Commonwealth Opportunity Fund. Moore/Richmond Print Group will invest \$25 million and hire 239 people.

Effective March 19, 2020, the Authority entered into a performance agreement with SimpliSafe to facilitate their call center operations relocation to Henrico. The agreement provides a rebate of up to \$180,000 in business personal property taxes paid over a five-year period and a waiver of permitting fees valued at \$21,000. These funds are matched by \$201,000 grant from the Commonwealth Opportunity Fund. SimpliSafe will invest \$5.5 million and hire 572 people.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA EXHIBIT 1
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY WITH RELATED RATIOS

JUNE 30, 2020

Fiscal Years Ended June 30,	2015	2016	2017	2018	2019	2020
Total Pension Liability:						
Service cost	\$ 74,757	\$ 76,852	\$ 73,447	\$ 91,738	\$ 85,736	\$ 84,908
Interest	138,454	145,107	151,476	157,627	164,273	167,993
Changes of assumptions	-	-	-	(28,649)	-	51,422
Differences between expected and actual experience	-	(10,857)	(15,896)	(3,573)	(67,375)	(40,609)
Benefit payments, including refunds of employee contributions	(118,471)	(117,850)	(122,408)	(119,880)	(124,529)	(134,445)
Net change in total pension liability	94,740	93,252	86,619	97,263	58,105	129,269
Total pension liability - beginning	2,037,149	2,131,889	2,225,141	2,311,760	2,409,023	2,467,128
Total pension liability - ending	<u>\$ 2,131,889</u>	<u>\$ 2,225,141</u>	<u>\$ 2,311,760</u>	<u>\$ 2,409,023</u>	<u>\$ 2,467,128</u>	<u>\$ 2,596,397</u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ 73,093	\$ 72,678	\$ 80,531	\$ 64,961	\$ 66,287	\$ 57,886
Contributions - employee	28,709	29,305	32,603	35,713	36,639	35,983
Net investment income	262,927	87,632	34,715	245,313	165,515	158,726
Benefit payments, including refunds of employee contributions	(118,471)	(117,850)	(122,408)	(119,880)	(124,529)	(134,445)
Administrative expense	(1,419)	(1,199)	(1,225)	(1,405)	(1,421)	(1,571)
Other	14	(20)	(15)	(219)	(148)	(100)
Net change in plan fiduciary net position	244,853	70,546	24,201	224,483	142,343	116,479
Plan fiduciary net position - beginning	1,677,219	1,922,072	1,992,618	2,016,819	2,241,302	2,383,645
Plan fiduciary net position - ending	<u>\$ 1,922,072</u>	<u>\$ 1,992,618</u>	<u>\$ 2,016,819</u>	<u>\$ 2,241,302</u>	<u>\$ 2,383,645</u>	<u>\$ 2,500,124</u>
Total net pension liability - beginning	<u>\$ 359,930</u>	<u>\$ 209,817</u>	<u>\$ 232,523</u>	<u>\$ 294,941</u>	<u>\$ 167,721</u>	<u>\$ 83,483</u>
Total net pension liability - ending	<u>\$ 209,817</u>	<u>\$ 232,523</u>	<u>\$ 294,941</u>	<u>\$ 167,721</u>	<u>\$ 83,483</u>	<u>\$ 96,273</u>
Plan fiduciary net position as a percentage of total pension liability	10%	10%	13%	7%	3%	4%
Covered payroll	\$ 558,862	\$ 558,862	\$ 607,128	\$ 717,476	\$ 773,479	\$ 795,486
Net pension liability as a percentage of covered payroll	38%	42%	41%	23%	11%	12%

The amounts presented have a measurement date of the previous fiscal year-end.

This schedule is required to show information for ten years. Since fiscal year 2015, the first year for this presentation, only five years of data is available. However, additional years will be included as they become available.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA EXHIBIT 2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2020

Fiscal Years Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2015	\$ 73,137	\$ 83,520	\$ 10,383	\$ 588,862	14%
2016	\$ 75,405	\$ 89,960	\$ 14,555	\$ 607,128	15%
2017	\$ 65,506	\$ 78,078	\$ 12,572	\$ 717,476	11%
2018	\$ 65,436	\$ 80,631	\$ 12,195	\$ 773,479	10%
2019	\$ 67,298	\$ 76,373	\$ 9,075	\$ 795,486	10%
2020	\$ 70,250	\$ 79,666	\$ 9,416	\$ 830,381	10%

This schedule is required to show information for ten years. Since fiscal year 2015, the first year for this presentation, only five years of data is available. However, additional years will be included as they become available.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION

YEAR ENDED JUNE 30, 2020

Changes of Benefit Terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of Assumptions – There have been no material changes in actuarial assumptions since the previous valuation date.

Actuarial Assumptions – The total pension liability for General Employees in the Political Subdivision’s Retirement Plan was based on an actuarial valuation as of June 30, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Actuarial cost method	Entry age normal
Amortization period	20 years
Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates – 15% of deaths are assumed to be service related.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA **EXHIBIT 3**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY WITH RELATED RATIOS

JUNE 30, 2020

Fiscal Years Ended June 30,	2018	2019	2020
Total OPEB Liability:			
Service cost	\$ 3,658	\$ 3,841	\$ 4,033
Interest	1,226	1,466	1,800
Differences between expected and actual experience	-	-	2,955
Benefit payments, including refunds of employee contributions	(1,523)	(1,645)	(720)
Net change in total OPEB liability	3,361	3,662	8,068
Total OPEB liability - beginning	15,385	18,746	22,408
Total OPEB liability - ending	<u>\$ 18,746</u>	<u>\$ 22,408</u>	<u>\$ 30,476</u>
Plan Fiduciary Net Position:			
Contributions - employer	\$ 1,523	\$ 1,645	\$ 720
Benefit payments, including refunds of employee contributions	(1,523)	(1,645)	(720)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total net OPEB liability - beginning	<u>\$ 15,385</u>	<u>\$ 18,746</u>	<u>\$ 22,408</u>
Total net OPEB liability - ending	<u>\$ 18,746</u>	<u>\$ 22,408</u>	<u>\$ 30,476</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$ 792,076	\$ 792,076	\$ 786,622
Net OPEB liability as a percentage of covered employee payroll	2.4%	2.8%	3.9%

This schedule is required to show information for ten years. Since fiscal year 2018 is the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA EXHIBIT 4
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS

JUNE 30, 2020

Fiscal Years Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2018	\$ 5,188	\$ 1,523	\$ (3,665)	\$ 792,076	0.2%
2019	\$ 5,726	\$ 1,645	\$ (4,081)	\$ 792,076	0.2%
2020	\$ 8,847	\$ 720	\$ (8,127)	\$ 786,622	0.1%

This schedule is required to show information for ten years. Since fiscal year 2018 is the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION

YEAR ENDED JUNE 30, 2020

There have been no been no significant changes to the benefit provisions since the prior actuarial valuation.

Actuarial Assumptions – The total OPEB liability was based on an actuarial valuation as of June 30, 2020, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial cost method	Entry age normal
Amortization period	20 years
Inflation	3%
Salary increases, including inflation	0%
Healthcare cost rent rates	7.5% initial, graded to 6.75% over 3 years and following the Getzen model thereafter to an ultimate rate of \$4.04 in the year 2075

Mortality rates were based on the RP-2014 Healthy Annuity Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB to 2020.

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

To the Board of Directors
Economic Development Authority of Henrico County
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, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Economic Development Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2020.

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 opinions 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 Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Authorities, Boards, and Commissions* as follows:

Criteria: Section 2.2-3115 of the Code of Virginia requires local government officials to file an annual Statement of Economic Interest ("SOEI") form by August 1, 2020.

Condition: We noted one (1) instance of eleven (11) where an official serving the Authority did not file a SOEI timely.

Cause: All required SOEI's were not completed timely.

Effect: Non-compliance may result in action by the Commonwealth.

Recommendation: Local government officials should complete the SOEI's in accordance with prescribed requirements.

Management's Response: The Authority will continue to work with its Board members to develop a process to ensure the Financial Disclosure Statements are completed in accordance with prescribed requirements.

The Authority's Response to Finding

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

Purpose of this Report

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



Richmond, Virginia
December 4, 2020