



# **Economic Development Authority of the City of Roanoke**

## **Financial Report**

June 30, 2024

Economic Development Authority  
of the City of Roanoke

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# Introductory Section



# **Economic Development Authority of the City of Roanoke**

## **Directory of Principal Officials**

June 30, 2024

### **Officers**

Braxton Naff  
Duke Baldrige  
William Poe  
Kit Hale

Chair  
Vice-Chair  
Treasurer  
Assistant Secretary/Treasurer

### **Directors**

	<u><b>Terms Expiring October 20,</b></u>
Kit Hale	2026
Tamea Franco	2026
Braxton Naff	2027
William Poe	2024
Anita Reed	2027
Duke Baldrige	2025
Ollie Howie	2025

### **Attorney-at-Law**

Glenn Feldmann Darby & Goodlatte

### **Independent Auditors**

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



# Financial Section



## Independent Auditor's Report

To the Honorable Members of the Board  
Economic Development Authority of the City of Roanoke  
Roanoke, Virginia

### Report on the Audit of the Financial Statements

#### *Opinion*

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority for the City of Roanoke as of June 30, 2024, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

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

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

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



## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

## *Report on Summarized Comparative Information*

We have previously audited the Authority's 2023 financial statements, and in our report dated October 31, 2023, expressed an unmodified opinion on those financial statements. The 2023 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



### *Required Supplementary Information*

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority’s basic financial statements. The schedule of revenue bonds and notes outstanding is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenue bonds and notes outstanding is fairly stated in all material respects in relation to the basic financial statements as a whole.

### *Other Information*


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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024 on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of the Authority’s internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance.





That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 18, 2024

**Economic Development Authority  
of the City of Roanoke**  
**Statement of Net Position**  
June 30, 2024

		(For Comparative Purposes Only)
	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 2)		
Checking	\$ 1,000	\$ 1,000
Money market	763,802	2,094,249
Revolving loan fund	-	225,303
Restricted	29,109	1,029,109
Investment, restricted	5,045,263	2,970,891
Interest receivable, current (Note 4)	25,000	12,000
Note receivable, current (Note 4)	1,000,000	1,000,000
Performance agreement receivable (Note 6)	567,371	847,397
Administrative fees receivable (Note 3)	271,499	341,194
Total current assets	7,703,044	8,521,143
Noncurrent assets		
Interest receivable (Note 4)	250,000	108,000
Note receivable (Note 4)	9,000,000	9,000,000
Total noncurrent assets	9,250,000	9,108,000
Total assets	16,953,044	17,629,143
<b>LIABILITIES</b>		
Current liabilities		
Performance agreement payable (Note 6)	567,371	847,397
Discretionary grants payable, current (Note 8)	20,000	20,000
Total current liabilities	587,371	867,397
Noncurrent liabilities		
Discretionary grants payable, long-term (Note 8)	20,000	40,000
Total noncurrent liabilities	20,000	40,000
Total liabilities	607,371	907,397
<b>NET POSITION</b>		
Restricted (Notes 4 and 6)	13,120,000	14,120,000
Unrestricted	3,225,673	2,601,746
Total net position	\$ 16,345,673	\$ 16,721,746

**Economic Development Authority  
of the City of Roanoke**

**Statement of Revenues, Expenses, and Changes  
in Fund Net Position**

**Year Ended June 30, 2024**

	<b>2024</b>	<b>(For Comparative Purposes Only) 2023</b>
<b>OPERATING REVENUES</b>		
Roanoke City contributions (Notes 4, 6, 7, and 9)		
Façade grants	\$ -	\$ 101,937
Enterprise zone grants		
Fire suppression retrofit and hookup grants	25,600	-
Building permit and development review fees rebate	5,818	-
Riverdale Southeast	-	10,000,000
Ivy View, LLC performance grant	-	333,664
The Bridges performance agreement	567,371	513,733
University of Lynchburg administrative fees	34,245	34,755
Carilion Clinic administrative fees	237,254	238,009
Richfield Living administrative fees	-	37,695
Virginia Lutheran Homes administrative fees	29,237	30,735
Bond closing fees	-	774
Miscellaneous income	-	13,651
Total operating revenues	<u>899,525</u>	<u>11,304,953</u>
<b>OPERATING EXPENSES</b>		
Roanoke City pass-through payments (Notes 6, 7, and 9)		
Façade grants	-	101,937
Enterprise zone grants		
Fire suppression retrofit and hookup grants	25,600	-
Building permit and development review fees rebate	5,818	-
ARPA grants	5,000	150,000
Ivy View, LLC performance grant	-	333,664
The Bridges performance agreement	567,371	513,733
Hist: Re Partners LLC performance agreement	1,000,000	-
Downtown Roanoke Block by Block	-	100,000
Professional fees	42,111	27,425
Miscellaneous expenses	43,104	86,095
Total operating expenses	<u>1,689,004</u>	<u>1,312,854</u>
Operating income (loss)	<u>(789,479)</u>	<u>9,992,099</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	401,807	238,012
Gain (loss) on investment	11,599	(15,345)
Total net nonoperating revenues	<u>413,406</u>	<u>222,667</u>
Change in net position	<u>(376,073)</u>	<u>10,214,766</u>
<b>Net position beginning at July 1</b>	<u>16,721,746</u>	<u>6,506,980</u>
<b>Net position ending at June 30</b>	<u><u>\$ 16,345,673</u></u>	<u><u>\$ 16,721,746</u></u>

# Economic Development Authority of the City of Roanoke

## Statement of Cash Flows Year Ended June 30, 2024

	<b>2024</b>	<b>(For Comparative Purposes Only) 2023</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from others (Misc Inc)	\$ -	\$ 13,651
Receipts from bond fees	370,431	61,119
Receipt from City of Roanoke for Riverdale Southeast	-	10,000,000
Receipts from grantors	876,771	1,355,014
Payment to Riverdale Southeast	-	(10,000,000)
Payments to suppliers (Prof Fees & Misc Exp)	(85,215)	(288,520)
Payments to grantees	(1,901,771)	(1,597,514)
Net cash used in by operating activities	(739,784)	(456,250)
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(2,062,773)	-
Interest received	246,807	118,012
Net cash provided by (used in) investing activities	(1,815,966)	118,012
Net decrease in cash and cash equivalents	(2,555,750)	(338,238)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning at July 1	3,349,661	3,687,899
Ending at June 30	\$ 793,911	\$ 3,349,661
<b>Reconciliation of operating income (loss) to net cash used in provided by operating activities:</b>		
Operating income (loss)	\$ (789,479)	\$ 9,992,099
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in:		
Performance agreement receivable	280,026	405,680
Administrative fees receivable	69,695	(280,849)
Note receivable	-	(10,000,000)
Increase (decrease) in:		
Accounts payable	-	(75,000)
Performance agreement payable	(280,026)	(478,180)
Discretionary grants payable	(20,000)	(20,000)
Net cash used in operating activities	\$ (739,784)	\$ (456,250)



# **Basic Financial Statements**

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# Economic Development Authority of the City of Roanoke

## Notes to Financial Statements

June 30, 2024

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### Note 1 – Summary of Significant Accounting Policies

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#### *Reporting Entity*

The Economic Development Authority of the City of Roanoke (the “Authority”) is a political subdivision of the Commonwealth of Virginia created by the Council of the City of Roanoke on October 21, 1968 pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 *et seq.*, of the *Code of Virginia* (1950) as amended). The Authority is governed by seven directors appointed by the Council of the City of Roanoke, Virginia. The Authority promotes industry and develops trade by encouraging manufacturing, industrial, governmental, and commercial enterprises to locate or remain in Roanoke. To this end, the Authority issues low-interest, tax-free industrial revenue bonds to acquire and improve property and equipment, oversee performance agreements and grants provided by the City of Roanoke and provide other incentive grants.

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

#### *Measurement Focus and Basis of Accounting*

The Authority’s financial statements are reported using 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 Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are administrative fees, incentive agreements, and grants and fees. Operating expenses include contributions to industries and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating.

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

#### *Cash and Cash Equivalents*

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

#### *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 accounting principles generally accepted in the United States of America (U.S. GAAP). The Authority determines fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and*

# Economic Development Authority of the City of Roanoke

## Notes to Financial Statements

June 30, 2024

*Application.* This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Authority uses a market approach as the valuation technique for Level 2 inputs. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements.

### *Administrative Fees*

The Authority receives administrative fees annually from bond holders. The fee is calculated based on a percentage of 1/10 or 1/16 of 1 percent, depending on the agreement, multiplied by the balance outstanding on the bonds at year end.

### *Pass-Through Grants*

Performance agreements and Enterprise Zone grants are funded by the City of Roanoke through the Authority. See Note 6 for performance agreements. The Authority records these pass-through grants as revenue with a corresponding expense. The performance agreements are tracked and calculated by the City of Roanoke. See Note 7 for Enterprise Zone grants. The grants are tracked and calculated by the Authority.

### *Net Position*

Net position is the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

### *Estimates*

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

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## **Note 2 – Deposits and Investments**

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### *Deposits*

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

# Economic Development Authority of the City of Roanoke

## Notes to Financial Statements

June 30, 2024

### *Investments*

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; “prime quality” commercial paper; and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (“LGIP”).

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates. The Authority’s investment policy limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, it follows the *Code of Virginia* for investment compliance matters.

### *Deposit and Investment Restrictions*

The Authority has \$5 million in restricted cash and investments with a corresponding restricted net position. \$3 million of this amount is the performance agreement to be paid to Hist:Re Partners, LLC (see Note 6) for the construction of the Campbell Court bus station. The remaining \$2 million is the purchase of investments. The Authority has invested \$5 million of the restricted cash in a federal agency bond.

### *Investments Fair Value*

The Authority’s investment in a federal agency bond of \$5,045,263 is measured at fair value using Level 2 inputs in accordance with GASB 72, which are inputs, other than quoted prices that are observable for the asset or liability, either directly or indirectly. The bond has a maturity greater than one year as of June 30, 2024.

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## Note 3 – Administrative Fees Receivable

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Amounts due from bond holders related to administrative fees at June 30, 2024 are as follows:

University of Lynchburg	\$	34,245
Carilion		237,254
	\$	<u>271,499</u>

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## Note 4 – Riverdale Southeast

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The Authority received \$10 million from the City of Roanoke as a contribution to be loaned to Riverdale Southeast as part of a performance agreement in 2023. The Authority loaned the funds to Riverdale Southeast at an annual rate of 2.50%. Two related performance agreements dated January 19, 2023 granted Riverdale Southeast tax rebate investment payments and loan forgiveness. Tax rebates and loan forgiveness are contingent upon meeting certain benchmarks related to the purchase and development of a property. The loan will be forgiven by the Authority over ten years in the amount equal to 1/10th the total loan amount until the total loan amount has been forgiven. The \$10 million is reported on the statement of net position as restricted net position. The tax rebate investment payment performance agreement matures



# Economic Development Authority of the City of Roanoke

## Notes to Financial Statements

June 30, 2024

on the 17th anniversary of property ownership. The loan matures when the full \$50 million investment goal has been achieved. No tax payments were paid or loan forgiveness granted by the Authority as of June 30, 2024.

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### Note 5 – Conduit Debt

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The Authority issues revenue bonds and notes to acquire and finance improvements of property and equipment; the bonds are then immediately sold or leased. The notes and bonds, as to principal and interest, are payable solely from lease payments or payments on notes receivable. These obligations are considered conduit debt and the Authority is not obligated to pay the principal, interest, or any other costs associated with the bonds, and thus no associated assets, liabilities, revenue, or expenses with respect to these bonds are recognized in the financial statements. In June 2024, \$9,846,503 was reapproved for the benefit of Virginia Lutheran Homes, Inc.

As of June 30, 2024, the Authority has outstanding amounts of \$488,703,923 of Industrial Development Revenue Bonds and Notes, pursuant to Chapter 49, Title 15.1 of the *Code of Virginia* (1950), as amended. A schedule of revenue bonds and notes outstanding is included in this report as supplementary information.

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### Note 6 – Performance Agreements

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#### *Roanoke River Investments, LLC “The Bridges”*

The Authority acts as a conduit between Roanoke City and Roanoke River Investments, LLC (“The Bridges”). A performance agreement dated August 14, 2012 granted up to 75% of the amount of revenue Roanoke City actually receives during the preceding grant year. Funding is contingent on The Bridges meeting certain benchmarks related to development of infrastructure related to a certain property. Funds of \$567,371 were earned by The Bridges during the year ended June 30, 2024. A receivable and corresponding payable have been recorded for the amount of revenue earned during the year. The receivable as of June 30, 2024 is an estimate. Funds of \$4,612,906 were unearned by June 30, 2024. The agreement matures in 2027.

#### *Hist:Re Partners, LLC*

The Authority acts as a conduit between Roanoke City and Hist:Re Partners, LLC (“Hist:Re”). Three related performance agreements dated June 19, 2019 granted Hist:Re up to \$2,000,000 for public infrastructure improvements, \$2,000,000 for special construction requirements, and \$1,500,000 for project completion. Funding is contingent on meeting certain benchmarks related to the purchase and development of a bus station. \$1 million was earned by Hist:Re during the year ended June 30, 2024. Funds of \$4.5 million were unearned by June 30, 2024. The Authority received from Roanoke City \$3 million which is reported on the statement of net position as restricted cash. The agreement matures when the funding amounts have been reached.

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### Note 7 – Enterprise Zone Grants

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The Authority acts as a conduit between Roanoke City’s Department of Economic Development and qualified businesses.

# **Economic Development Authority of the City of Roanoke**

## **Notes to Financial Statements**

**June 30, 2024**

### *Facade Grants*

The purpose of the Facade Grant Program is to visually improve Enterprise Zone One. The grants will encourage investment and improvement of real property within Enterprise Zone One, decrease vacancy, and improve vibrancy of the area. The lesser of \$25,000 or 33% of total facade renovation construction cost may be granted. There were no disbursements for the year ended June 30, 2024.

### *Fire Suppression Retrofit Grants and Hookup Grants*

The purpose of the Fire Suppression Retrofit and Fire Hookup Grant Program is to encourage business firms, property owners, or leaseholders to make improvements and install new, first-time fire suppression systems in existing buildings in Enterprise Zone One. Annual grants are available for 5 years to cover a percentage of annual charges. The amounts that may be granted vary from 50% of monthly charges up to \$1,000 in year 1 to 10% of monthly charges up to \$200 in year 5. There was one disbursement of \$25,600 in the current year.

### *Building Permit and Comprehensive Development Plan Review Fees Rebate*

The purpose of the Building Permit and Comprehensive Development Plan Review Fees Rebate is to encourage business firms, property owners, and authorized leaseholders to make improvements investing in new construction or in habitation of an existing building located in Enterprise Zone One A. Rebates are based on a percentage, dependent on the total amount invested. There was one disbursement of \$5,818 in the current year.

### *Business Security Grants*

The purpose of the Security Grant Program is to provide incentive for businesses to participate in the Roanoke City Police Department's Star City Business Watch program, and to make improvements to their properties in order to improve security. The maximum grant will be the lesser of 50% of the actual out-of-pocket cost of the improvements or \$500 per fiscal year. There were no disbursements during the year ended June 30, 2024.

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## **Note 8 – Economic Development Authority Discretionary Grants**

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### *RAMP Acceleration Project*

In fiscal year 2022, the Authority committed \$100,000 to the RAMP Acceleration project, with the first \$20,000 paid during 2022, and the corresponding \$80,000 allocated over four years to cover operating losses of the facility. RAMP will provide low-cost office space and educational opportunities to small and entrepreneurial businesses and is viewed as a critical component of the City's recently announced "Innovation Corridor" along South Jefferson Street. Amounts payable still outstanding related to this commitment at June 30, 2024 are \$40,000.

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## **Note 9 – CARES Act and ARPA Grants**

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The Authority is administering small business recovery grants from the City of Roanoke. The CARES Act grants ranged from \$1,250 up to \$12,000 and the ARPA grants were \$5,000 for business interruption caused by the required closures due to COVID-19. For the year ended June 30, 2024, the Authority disbursed \$5,000 in ARPA funds to one local business.

# Economic Development Authority of the City of Roanoke

## Notes to Financial Statements

June 30, 2024

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### Note 10 – Related Party Transactions

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

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### Note 11 – Subsequent Events

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In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 18, 2024 the date the financial statements were available to be issued

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### Note 12 – New Accounting Standards

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In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued **Statement No. 102**, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.



# **Supplementary Schedule**

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# Economic Development Authority of the City of Roanoke

## Schedule of Revenue Bonds and Notes Outstanding June 30, 2024

	<u>Original Issue</u>	<u>Balance June 30, 2024</u>	<u>Balance June 30, 2023</u>	<u>Type of Project</u>
<b>Industrial Revenue Bonds:</b>				
Carilion Health System Obligated Group Series 2005-A dated December 1, 2005	\$ 123,110,000	\$ 79,470,000	\$ 79,470,000	Refunding, Renovation, Expansion and Equipment
Lynchburg College Educational Facilities Series 2018A dated May 1, 2018	34,780,000	34,245,000	34,755,000	Software, Renovation, Refinancing
Virginia Lutheran Homes Series Brandon Series 2019-A dated November 5, 2019	16,950,916	16,530,734	16,660,201	Refinance Residential Care Facility
Virginia Lutheran Homes Series Brandon Series 2019-B dated November 5, 2019	11,500,000	10,787,060	11,309,822	Refinance Residential Care Facility
Carilion Health System Obligated Group Series 2020-A dated April 1, 2020	250,345,000	246,145,000	247,610,000	Refunding, Renovation, Expansion and Equipment
Carilion Health System Obligated Group Series 2020-B dated April 1, 2020	43,890,000	43,890,000	43,890,000	Refunding, Renovation, Expansion and Equipment
Carilion Health System Obligated Group Series 2020-D dated April 1, 2020	38,175,000	38,175,000	38,175,000	Refunding, Renovation, Expansion and Equipment
Richfield Living Series 2020 dated January 1, 2020	37,695,000	-	37,695,000	Renovation, Expansion and Equipment
Virginia Lutheran Homes Series Brandon Series 2020 dated April 22, 2020	10,207,332	-	9,874,747	Refunding, Renovation, Expansion and Equipment
Virginia Lutheran Homes Residential Care Series 2022 September 9, 2022	12,143,480	9,716,070	11,330,910	Refunding, Renovation, Expansion and Equipment
Virginia Lutheran Homes Series Series 2023 dated September 9, 2023	9,846,503	9,745,059	-	Refunding, Renovation, Expansion and Equipment
		<u>\$ 488,703,923</u>	<u>\$ 530,770,680</u>	



# Compliance Section



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

To the Honorable Members of the Board  
Economic Development Authority of the City of Roanoke  
Roanoke, Virginia

We have audited, 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, the financial statements of the Economic Development Authority of the City of Roanoke (the "Authority") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 18, 2024.

### **Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as Item 2024-001 that we consider to be a significant deficiency.**



## Report on Compliance and Other Matters

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

## Authority's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 18, 2024



# **Economic Development Authority of the City of Roanoke**

## **Summary of Compliance Matters**

**June 30, 2024**

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

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### **State Compliance Matters**

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#### *Code of Virginia*

- Cash and Investment Laws
- Conflicts of Interest Act
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

**Economic Development Authority  
of the City of Roanoke**  
**Summary of Findings and Questioned Costs**  
June 30, 2024

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**A – Finding – Financial Statement Audit**

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*2024-001: Auditor Adjustments (Significant Deficiency)*

Condition

A number of audit adjustments were necessary for the trial balance to be ready for the audit and the financial statements to be in compliance with accounting principles generally accepted in the United States of America. The adjustments related to the categorization of “uncategorized” revenues and expenses, transfers of funds between cash accounts, and improper accrual of administrative fees receivables and grants payables/receivables.

Criteria

Adjustments are not made at year end for preparation of the audit and in compliance with accounting principles generally accepted in the United States of America.

Effect

Risk that financial statements are not in compliance with accounting principles generally accepted in the United States of America.

Cause

The Authority implemented the use of an external bookkeeper in fiscal year 2024 but had not fully established internal controls to facilitate the preparation of the trial balance and financial statements.

Recommendation

Accounting procedures should be formulated to ensure all revenues and expenses are appropriately categorized and that asset and liability accounts are recorded. All activities should be evaluated beyond transactional processing and toward financial reporting implications on these activities.

View of Responsible Officials

The auditee concurs with the recommendation and is remedying this finding. We are remedying this situation by coordinating regular meetings between the EDA’s Board members and Treasurer, the bookkeeper, and auditor to ensure all parties agree as to how to organize Quickbooks. We met with Brown Edwards auditors on November 8, 2024 and agreed to address this moving forward. We recognize this has been a year of implementation and learning. As such, we are scheduling a December training of Quickbooks for Department staff, EDA bookkeeper, and relevant EDA members.

**Economic Development Authority  
of the City of Roanoke**  
**Summary Schedule of Prior Audit Findings**  
June 30, 2024

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**A – Finding – Financial Statement Audit**

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*2023-001: Auditor Adjustments (Material Weakness)*

Condition

A significant number of audit adjustments were necessary for the financial statements to be in compliance with accounting principles generally accepted in the United States of America. The adjustments related to improper accrual of administrative fees receivables and grants payables.

Current Status

Condition still present but was downgraded to a significant deficiency. See comments in management letter.