

**ANNUAL FINANCIAL REPORT
OF THE
CITY OF VIRGINIA BEACH
DEVELOPMENT AUTHORITY**

**A COMPONENT UNIT OF
THE CITY OF VIRGINIA BEACH, VIRGINIA**

**FOR FISCAL YEARS ENDED
JUNE 30, 2026, AND JUNE 30, 2025**

**PREPARED BY
DEPARTMENT OF FINANCE**

Acknowledgements....

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Economic Development. The contributions of all are invaluable and sincerely appreciated and clearly reflect the high standards which have been set by the City of Virginia Beach Development Authority.

Management - Howie McEntee

Technical Assistance – Emily Archer
 Nikki Griffith
 Wendy Hu
 Blake Huffman
 Kevin Kielbasa

It is also appropriate to thank the members of the City of Virginia Beach Development Authority for making possible the excellent financial position of the Authority through their interest and support in planning and conducting the financial affairs of the Authority.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia

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INTRODUCTORY SECTION

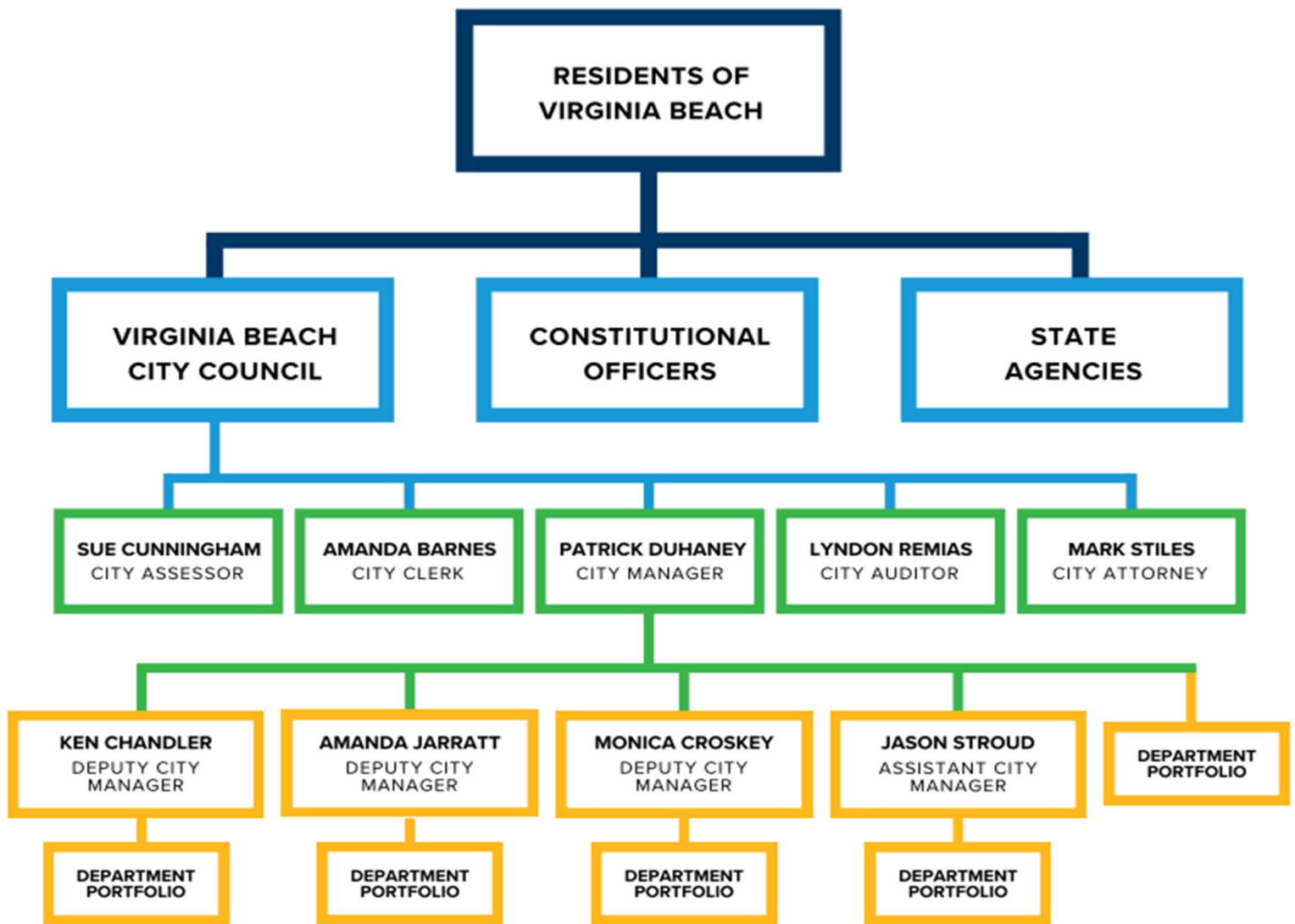
CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Commissioners

Lisa Murphy Chair
William Brunke Vice Chair
Guenter H. Weissenseel Treasurer
David Weiner Secretary
Eric Keplinger Assistant Secretary
Donald Horsley Commissioner
Akhil Jain Commissioner
Esmel Meeks Commissioner
Michael Harris Commissioner
Patrick Shuler Commissioner
Martin Joseph Commissioner

CITY ORGANIZATION





October 9, 2026

Virginia Beach Development Authority members
4525 Main Street, Suite 700
Virginia Beach, VA 23462

RE: FY 2026 Annual Financial Report of the City of Virginia Beach Development Authority

Dear Commissioners:

The Annual Financial Report of the City of Virginia Beach Development Authority (the Authority) for the fiscal year ended June 30, 2026, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the Authority's operations. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of independent auditor.

The Reporting Entity

The City of Virginia Beach Development Authority was established by the authority of the Virginia General Assembly in 1964 in order to increase business investment and to expand the tax base in the state of Virginia. That same year, the City Council of Virginia Beach appointed seven Virginia Beach businessmen to serve as Commissioners of the first Authority, effective July 27, 1964. On July 1, 2003, the Virginia State Code was revised to allow eleven commissioners to serve on Development Authorities within the state. Following that change, the City Council of Virginia Beach appointed four additional commissioners.

The Authority is a component unit of the City of Virginia Beach; however, it is a legally separate organization. The City Council of Virginia Beach was determined to be financially accountable for the Authority on the basis of the selection of the governing authority, designation of management, ability to influence operations, and accountability in fiscal matters.

The Authority exists to facilitate the expansion of the tax base and employment opportunities in the City through increased business development and redevelopment. The Authority uses Industrial Revenue Bonds, the Economic Development Investment Program (EDIP), workforce development, project development, and business development personnel to enable and assist business location and expansion in the City of Virginia Beach.

Fiscal Year 2026 Economic Development Highlights

Significant growth occurred in each of the City's adopted target business sectors, including several announcements by innovative new businesses as well as small businesses, an important part of our economy. Additionally, nine incentive grants were awarded totaling \$2,134,860 which leveraged \$81,197,500 in capital investment, a ratio of \$38 private investments to \$1 public investment, and could create 321 new jobs with an average salary of \$97,355. The following EDIP awards were made during FY 2026, awards approved for investments, and awards approved for jobs, as follows.

- **GroundWorks** – North America's largest privately held foundation services company. The business specializes in foundation repair, basement waterproofing, crawl space repair, and concrete lifting. They are headquartered in Virginia Beach, Virginia and employ over 6,000 employees in 78 locations nationwide. The company is investing \$3,870,000 and creating 75 new jobs with an average salary of \$114,867 qualifying them for a \$309,800 EDIP grant.
- **GovSolutions** – The company is a leader in the innovative office design industry and their services include space planning, detailed project management, asset and relocation management, and product inventory. They are headquartered in Virginia Beach, Virginia. The company is investing \$4,650,000 and creating 55 new jobs with an average salary of \$50,000 and being awarded a \$193,000 EDIP grant. As part of the EDIP agreement GovSolutions is also purchasing 4 acres of land in Corporate Landing Business Park for \$200,000 per acre.
- **TST Defense** – The company provides leadership and management in commercial roofing and glazing construction. It is a service-disabled veteran and Minority-Owned business. TST Defense only current location is in Virginia Beach, Virginia. The Authority awarded an EDIP grant of \$508,000 based on the company's \$7,075,000 capital investment and 135 new jobs created with an average salary of \$88,222. The company will also be purchasing 5 usable acres of land in Corporate Landing Business Park for \$200,000 per acre.
- **PT2GO, LLC** – The company is a locally owned physical therapy and wellness clinic that makes house calls to provide in home wellness services. The company was formed in Virginia Beach, Virginia in 2018. The Authority awarded an EDIP grant of \$36,000 based on the company's \$2,350,000 capital investment and 16 new jobs created with an average salary of \$74,438. The company is purchasing and improving a new building as the business was previously run from the owner's place of residence.
- **One Space Design Studio LLC** – The company provides new construction design, space planning, 3D visualizations and interior architectural design to the local business and development community. The business was founded in 2018 and is headquartered in Virginia Beach, Virginia. The Authority awarded an EDIP grant of \$12,240 for the company's qualifying \$2,517,000 capital investment and 11 new jobs created at an average salary of \$60,455. The EDIP for One Space Design Studio is also for the purchasing and improving of a new building as the business was previously run from the owner's place of residence.
- **Subsea Craft** - The company is a maritime technology company with products focused on high-speed surface vessels and drone products. Outside of its office in the international incubator the company is entirely located in the United Kingdom. The international incubator is a soft-landing office space, located in Virginia Beach, designed for international companies planning on expanding to the U.S. market. The company is investing \$470,500 and creating 13 new jobs with

an average salary of \$119,385, qualifying it for an EDIP grant award of \$45,820. The investment will help Subsea Craft move out of the international incubator at the end of their two year sublease and move into a new office and its first warehouse in the United States.

- **Globalinx Data Centers** - Globalinx is headquartered in the Corporate Landing Business Park of Virginia Beach, Virginia. The company provides subsea cable operators and cable landing stations for fiber optic cables which provide high speed internet and make Virginia Beach an interconnection point for 3 other continents. Their fiber optic cables and cloud service provide support for companies such as Facebook, Microsoft, and Telxius. The Authority awarded an EDIP grant of \$787,000 if the company meets its requirement to spend \$33,533,000 on capital improvements. The company will also receive \$13,000 if they create 16 full time equivalent employees with average salaries above \$100,000. Globalinx was awarded this EDIP grant to incentivize them to expand their current headquarters to a parcel of land adjacent to their current headquarters.
- **Batten University** – Batten University (formerly Virginia Wesleyan University) is a private liberal arts institution located in Virginia Beach which awards associate, baccalaureate, and master's degrees. This specific EDIP award is dependent on Batten University constructing a new building on campus, as well as the purchase of technology and land lab equipment for that building so that the Sentara College of Health Sciences can move into that building. The Sentara College is currently located in Chesapeake, Virginia and will move to the Batten Campus in Virginia Beach. Batten University is investing \$24,857,000 for the construction of the new building and the purchase of equipment. If all the capital improvements are made Batten will qualify for an EDIP award of \$155,000.
- **Hourigan Construction Corporation** - The company offers integrated construction services and development solutions including a general contracting division known for executing large scale commercial projects and a real estate development arm providing site planning and project oversight. The company has 3 offices located in Virginia Beach, Richmond, and Charlottesville, Virginia. The approval of this EDIP grant is for Hourigan moving its Virginia Beach office to a larger building in Town Center and making improvements to that building. Hourigan believes this move will allow it to expand its operations and unify multiple business divisions to support growing demand across Hampton Roads. The company is investing \$1,875,000 and was awarded a \$75,000 EDIP grant.

A two-year comparison of EDIP awards shows nine grants were awarded, in fiscal year 2026 totaling \$2.13 million based on a total capital investment of \$81.20 million. In fiscal year 2025, the Authority awarded six incentive grants totaling \$2.08 million which leveraged \$80.40 million in capital investment.

In addition to the Economic Development Incentive program, the Authority also provided financial support to small, locally owned businesses through the Façade Improvement Grant program, the Atlantic Avenue Grant Program, and the Small Business Grant Program (EDIP Part F). The small business grant program is specific to Women, Minority, and/or Veteran owned business and is a dollar-for-dollar reimbursement. A total of fourteen grants were awarded under the Façade Improvement Grant in FY2026, totaling \$112,255 which resulted in \$453,527 in private investment, compared to twenty grants being awarded totaling \$111,127 resulting in \$234,432 private investment in FY2025. The Atlantic Avenue Grant program relates specifically to businesses located along Atlantic Avenue from 2nd street to 40th street within the Virginia

Beach resort area. \$250,000 was allocated to the Atlantic Avenue Grant Program in FY2026. The Authority approved 5 Atlantic Avenue Grants in FY2026 totaling \$102,833 which resulted in private investment of \$216,106 and will have \$147,167 available for future grants as of June 30, 2026. This was the first year the City Council approved the Atlantic Avenue Grant Program so no funds were received from the City and there were no grants awarded or private investment in FY2025. There were no grants awarded under the Small Business Grant Program in FY2026, but another round of funding was approved by the Authority in August 2026. The Small Business Grant Program approved the reimbursement of \$144,811 of business expenses in FY2025.

The Authority assists in the business/industry location and retention process by acquiring, developing, and reselling land. The only land sale during FY2026 was for approximately 17.4 usable acres and 21 total acres of land in Innovation Park to Acoustical Sheetmetal in November 2025. The sales price of the land was \$2.37 million. There were no land sales during FY2025.

Acknowledgments

During the year, the staff of the City of Virginia Beach Department of Economic Development and the Finance Department rendered professional and knowledgeable services to the Authority. We are most appreciative of these efforts and take this opportunity to recognize these public servants.

The Authority's oversight of their financial affairs has resulted in this strong financial report, and these individuals are commended for the policies and practices that they put in place to create this outcome.

Respectively,



Emily Archer
Director of Economic Development
City of Virginia Beach

FINANCIAL SECTION

Report of Independent Auditor

To the Commissioners
City of Virginia Beach Development Authority
Virginia Beach, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Virginia Beach Development Authority (the "Authority"), a component unit of the City of Virginia Beach, Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2026, and the changes in financial position and its 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 the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and Specifications 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 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

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 accompanying Supplementary Information – Schedules, as listed in the table of contents, are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information – Schedules are 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 October 9, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Virginia Beach, Virginia
October 9, 2026

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

As the management of the City of Virginia Beach (the City) Development Authority's (the Authority) we present this narrative overview and analysis of the Authority's financial activities for the fiscal year ended June 30, 2026. Please read it in conjunction with the Authority's transmittal letter at the front of this report and the financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and supplemental information.

BASIC FINANCIAL STATEMENTS

The focus of the Statement of Net Position is to report on the Authority's net position and how it has changed. Net position – the difference between assets and deferred outflows of resources versus liabilities and deferred inflows of resources– is one way to measure the Authority's financial health or financial position. Over time, increases or decreases in an entity's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The Statement of Revenues, Expenses, and Changes in Net Position is focused on showing how net position changed during the most recent fiscal year. All the current year's revenues and expenses are accounted for in this statement regardless of when cash is received or paid. So, revenues and expenses are reported in this statement for some items that will affect cash flows in future periods.

The Statement of Cash Flows identifies how cash and other financial assets can readily be converted to cash flow in and out of the Authority.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide essential additional information that supports a full understanding of the data in the basic financial statements. They present details that can not be included in the basic statements, explain the nature and determination of reported amounts, and report information that does not meet the criteria for inclusion in the statements themselves, and should be read in conjunction with the financial statements and management's discussion and analysis.

FINANCIAL SUMMARY

Net Position:

The following table reflects the condensed Net Position of the Authority:

Table 1			
Net Position			
As of June 30, 2026, 2025, and 2024			
(in millions)			
	2026	2025	2024
Current and other assets	\$ 436.71	\$ 476.03	\$ 544.55
Capital assets	232.35	238.02	201.92
Total assets	669.06	714.05	746.47
Deferred outflows of resources	0.01	0.25	0.72
Current and other liabilities	51.65	56.29	62.59
Long-term liabilities	338.89	372.11	407.95
Total liabilities	390.54	428.40	470.54
Deferred inflows of resources	27.01	28.53	30.12
Net position:			
Net investment in capital assets	117.45	114.49	68.57
Restricted - other purposes	111.67	118.26	149.78
Unrestricted	22.40	24.62	28.18
Total net position	\$ 251.52	\$ 257.37	\$ 246.53

Changes in Net Position:

The following chart shows the revenue and expenses for the current and prior fiscal years:

Table 2			
Revenues, Expenses, and Changes in Net Position			
Years Ended June 30, 2026, 2025, and 2024			
(in millions)			
	2026	2025	2024
Operating Activities:			
Revenues	\$ 11.87	\$ 7.84	\$ 9.34
Expenses	(21.17)	(10.73)	(21.93)
Total operating loss, net	(9.30)	(2.89)	(12.59)
Nonoperating Activities:			
Revenues	20.53	15.36	8.53
Capital Contribution Revenue	5.01	37.33	39.76
Expenses	(22.09)	(13.70)	(1.30)
Capital Contribution Expenses	-	(25.26)	(5.72)
Total nonoperating income, net	3.45	13.73	41.27
Change in net position	(5.85)	10.84	28.68
Net Position - Beginning of Year	257.37	246.53	217.85
Net Position - End of Year	\$ 251.52	\$ 257.37	\$ 246.53

DETAILED ANALYSIS

Assets and Liability Changes

During fiscal year 2026, the \$39.32 million decrease in the Authority's current and other assets is largely attributable to a \$31.85 million decrease in a receivable from the City for Public Facility Revenue Bond principal payments, as well as a \$4.36 million decrease in land and building inventory from the sale of land inventory to Acoustical Sheetmetal within Innovation Park.

During fiscal year 2025, the \$68.52 million decrease in current and other assets was due to a \$38.20 million decrease in a receivable from the City for Public Facility Revenue Bonds, as well as a \$27.48 million decrease in the Authority's restricted cash accounts. These restricted cash accounts were used to pay the developer for Atlantic Park construction expenses.

The Authority also had a significant decrease in total liabilities which is referenced on table 4 and in the long-term debt analysis in the significant capital assets and financing activity section of this management's discussion and analysis.

Revenue Analysis

For fiscal years ended June 30, 2026, 2025 and 2024, revenues and capital contributions from all activities totaled \$37.41, \$60.53 and \$57.63 million, respectively. This included revenues derived from industrial revenue bond fees, lease income, investment earnings, support agreement funding from the City, and capital contributions received. There was \$2.37 million of land and building inventory sales in fiscal year 2026, there were no land and building inventory sales in fiscal year 2025, and there were \$1.81 million of land and building inventory sales in 2024. Land and building inventory sales were the main reason for the \$4.03 increase in operating revenues in fiscal year 2026 and the \$1.50 million decrease in fiscal year 2025. An increase of \$1.13 million in Town Center parking garage revenue also contributed to the fiscal year 2026 increase in operating revenues from the City of Virginia Beach.

The \$27.15 million decrease in nonoperating revenues was caused by a decrease in capital contributions as a result of construction for the Atlantic Park Entertainment Venue and parking garage being substantially complete. Contributions from the City for the Entertainment Venue and contributions from the Atlantic Park CDA for the parking garage were both significantly less in fiscal year 2026. The \$4.4 million increase in nonoperating revenues in fiscal year 2025 was primarily from support agreement payments from the City for Public Facility Revenue Bond interest.

Expenditure Analysis

Expense activities included construction expenses, depreciation/amortization, selling and administrative expenses, interest on outstanding debt obligations, and capital contributions to developers. For fiscal years ended June 30, 2026, 2025 and 2024, total expenses were \$43.26, \$49.69 and \$28.95 million, respectively.

The cost of land and building inventory sales of \$3.94 million was partially responsible for the \$10.44 million increase in operating expenses in fiscal year 2026. The authority did not incur any costs associated with land and building inventory sales in fiscal year 2025. Also contributing to the increase in operating expenses within fiscal year 2026 was a \$3.39 million increase in general and other expenses related Atlantic Park Entertainment Venue legal fees and Corporate Landing engineering fees which were not incurred in fiscal year 2025, a \$2.09 million increase in depreciation from the Atlantic Park Entertainment Venue and parking garage taking its first full year of depreciation, and \$1.13 million increase in Town Center garage operations from fiscal year 2025.

Contributing to the \$11.20 million decrease of operating expenses during fiscal year 2025 was a \$7.76 million cost of land and building inventory sold in both Innovation Park and Corporate Landing Business Park, a \$1.93 million payment to the city for loan proceeds from an outstanding Vanguard landing loan, and a \$0.92 million loss on the write off of the uncollectable amount of that same Vanguard Landing loan in fiscal year 2024.

The \$16.87 million decrease in nonoperating expenses in fiscal year 2026 was primarily caused by a decrease in capital contributions to developers. There were \$25.26 million in capital contributions in fiscal year 2025 due to the Authority contributing funds to developers during the last phase of the Atlantic Park mixed use and surf park construction. Atlantic Park was opened prior to the start of fiscal year 2026 and no funds were contributed to developers in 2026. The increase in nonoperating expenses in fiscal year 2025 was partially from a \$19.54 million in developer contributions mentioned above, and there was also a \$12.25 million increase in interest expenses related to Public Facility Revenue Bonds interest.

SIGNIFICANT CAPITAL ASSETS AND FINANCING ACTIVITY

CAPITAL ASSETS

For the fiscal years ended June 30, 2026, 2025, and 2024, the Authority had invested \$232.35, \$238.02 and \$201.92 million (see note 5), respectively, in capital assets and infrastructure as reflected in Table 3.

Table 3			
Capital Assets			
As of June 30, 2026, 2025, and 2024			
(in millions)			
	2026	2025	2024
Non-depreciable assets:			
Land	\$ 46.92	\$ 52.51	\$ 51.57
Other assets and capitalized costs	1.13	1.13	1.13
Construction in progress	-	2.34	61.16
Other capital assets:			
Buildings/equipment	251.69	243.34	145.40
Accumulated depreciation			
on other capital assets	(67.39)	(61.30)	(57.34)
Total net capital assets	\$ 232.35	\$ 238.02	\$ 201.92

Capital assets for the Authority decreased by \$5.67 million and increased by \$36.1 million during fiscal years 2026 and 2025, respectively. For the fiscal year 2026, the decrease is mostly due to a \$5.59 million decrease in land as a result of the Authority transferring land to the Atlantic Park developer as part of a legal settlement. There was also an increase in capital assets from construction on the Atlantic Park entertainment venue and parking garage that was mostly offset by those assets taking a full year of depreciation after opening in May 2025.

During fiscal year 2025 the increase included contributions of capital assets from the city for the Atlantic Park project in the amounts of \$27.05 million. The Authority received \$8.59 million in capital contributions

from the Atlantic Park Community Development Authority towards the Atlantic Park parking facility during fiscal year 2025. Also, in fiscal year 2025 the City contributed land improvements of \$228,416 by paying for the removal of substation phase 3 at Atlantic Park and the City transferred land and a building to the Authority. The value of the land at the time of the transfer was \$712,500, and the value of the building was \$733,281. There were no such capital contributions in fiscal year 2024.

LONG-TERM DEBT

Table 4			
Long-Term Debt			
As of June 30, 2026, 2025, and 2024			
(in millions)			
	2026	2025	2024
Bonds and notes payable			
Public facility revenue bonds	\$ 341.36	\$ 373.14	\$ 411.75
Other long-term liabilities:			
Bond premium	30.76	33.67	37.93
Total Long-Term Debt	\$ 372.12	\$ 406.81	\$ 449.68

During the fiscal year ended June 30, 2026 and 2025, the Authority paid \$31.78 and \$38.61 million of principal on its outstanding debt and amortized \$2.91 and \$4.26 million of bond premiums, respectively.

The decrease in bond principal payments in fiscal year 2026 was a result of the final \$5.65 principal payment which retired Public Facility Revenue Bond 2014B in fiscal year 2025.

For detailed information on the Authority's long-term liabilities, please refer to Note 8 in notes to the financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Approximately 4.53 usable acres of land at the location 1125 Global Way, Parcel 6C-A-2 in Corporate Landing Business Park was originally authorized for sale by the Authority on March 15th, 2022 to Zero Point, Inc. (dba Yankee Doodle LLC). The sale was finalized on September 16th, 2026 with a settlement price of \$861,400.

During the September 8, 2026 meeting the Authority approved a resolution that will pass through \$5,000,000 of funds appropriated by the Commonwealth of Virginia for "engineering, infrastructure, and other related costs to facilitate development and expansion activities of the Atlantic Park Project. The Virginia Beach City Council adopted an ordinance that would allow the \$5,000,000 to be passed through the city to the Authority.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users (citizens, taxpayers, customers, clients, investors, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives. Questions concerning this report or requests for additional information should be directed to the Director of Economic Development, Virginia Beach Development Authority, 4525 Main Street, Suite 700, Virginia Beach, VA 23462, telephone (757) 385-6464, or visit the Authority's website at www.yesvirginiabeach.com.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia
Statements of Net Position
June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 5,443,930	\$ 5,795,702
Receivables, net (note 4)	156,502	792,019
Receivables, restricted (note 4)	838,472	3,345,207
Lease receivables (note 6)	805,528	802,032
Due from City of Virginia Beach	33,220,177	34,694,626
Total current assets:	<u>40,464,609</u>	<u>45,429,586</u>
Noncurrent assets:		
Restricted cash and cash equivalents (notes 2 and 3)	10,285,410	9,510,229
Receivables, restricted (note 4)	10,490,767	10,075,696
Lease receivables (note 6)	24,926,624	25,732,152
Due from City of Virginia Beach	328,514,402	358,892,246
Land and building inventory	22,032,258	26,391,857
Capital assets (note 5)		
Other non-depreciable assets and capitalized costs	1,130,390	1,130,390
Construction in progress	-	2,344,215
Land	46,919,402	52,508,966
Buildings and equipment, net of accumulated depreciation	184,299,738	182,040,590
Total capital assets	<u>232,349,530</u>	<u>238,024,161</u>
Total assets	<u>669,063,600</u>	<u>714,055,927</u>
Deferred Outflows of Resources		
Debt refundings resulting in loss transactions	<u>11,042</u>	<u>248,015</u>
Liabilities		
Current liabilities:		
Accounts payable	1,678,842	3,646,997
Accrued liabilities	5,101,406	5,706,626
Liabilities payable from restricted assets	131,000	10,000
Due to the City	29,402	149,270
Unearned revenue (note 7)	11,487,358	12,078,407
Bonds and notes payable (note 8)	33,220,177	34,694,626
Total current liabilities	<u>51,648,185</u>	<u>56,285,926</u>
Bonds and notes payable (note 8)	<u>338,892,428</u>	<u>372,112,604</u>
Total liabilities	<u>390,540,613</u>	<u>428,398,530</u>
Deferred Inflows of Resources		
Deferred inflows from leases (note 6)	24,477,938	25,538,206
Debt refundings resulting in gain transactions	2,530,437	2,996,322
	<u>27,008,375</u>	<u>28,534,528</u>
Net investment in capital assets	117,447,923	114,487,903
Restricted, other purposes	111,672,852	118,261,051
Unrestricted	22,404,879	24,621,930
Total net position	<u>\$ 251,525,654</u>	<u>\$ 257,370,884</u>

See accompanying notes to financial statements.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating Revenues:		
Land and building inventory	\$ 2,366,041	\$ -
Industrial revenue bond fees	693,011	688,494
Lease income	3,094,798	3,340,402
City of Virginia Beach	5,697,806	3,751,936
Miscellaneous income	19,111	55,624
Total operating revenues	<u>11,870,767</u>	<u>7,836,456</u>
Operating Expenses:		
Cost of land and building inventory	3,940,265	-
Loss on impairment of land and building inventory	419,332	-
General and other expenses	3,309,564	751,928
Legal expenses - Atlantic Park	66,245	-
Expenses for VBNGC operations	832,246	-
Payments to City of Virginia Beach	2,060,444	2,631,939
Depreciation	6,086,937	3,999,367
Garage operations	<u>4,455,391</u>	<u>3,341,799</u>
Total operating expenses	<u>21,170,424</u>	<u>10,725,033</u>
Operating loss	<u>(9,299,657)</u>	<u>(2,888,577)</u>
Other Non-Operating Revenues (Expenses):		
Revenue from Support Agreement with City of Virginia Beach	20,172,843	14,663,081
Capital Contributions from City of Virginia Beach	3,075,151	28,739,155
Capital Contributions from Atlantic Park CDA	1,939,206	8,589,424
Capital Contribution to Developers	-	(25,261,416)
Loss on land transfer - settlement agreement	(5,589,564)	-
Loss on retirement of asset	-	(206,862)
Interest income	353,170	698,243
Interest expense	<u>(16,496,379)</u>	<u>(13,496,374)</u>
Total nonoperating expenses, net	<u>3,454,427</u>	<u>13,725,251</u>
 Change in net position	 <u>(5,845,230)</u>	 <u>10,836,674</u>
Total net position at beginning of year	<u>257,370,884</u>	<u>246,534,210</u>
Total net position at end of year	<u>\$ 251,525,654</u>	<u>\$ 257,370,884</u>

See accompanying notes to financial statements.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Statements of Cash Flows

Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from Operating Activities:		
Receipts from customers and users	\$ 12,554,217	\$ 20,447,274
Cash payments to suppliers of goods and services	(12,993,890)	(19,833,891)
Net EDIP activities	(868,616)	(1,050,270)
Receipts from sale of land and building inventory	2,366,041	-
Net cash provided by (used by) Operating Activities	<u>1,057,752</u>	<u>(436,887)</u>
Cash flows from capital and related financing activities:		
Capital contributions from City of Virginia Beach	3,318,243	28,618,297
Capital contributions to developers	-	(27,709,926)
Acquisition of capital assets	(4,305,756)	(31,589,786)
Net cash used by Capital and Related Financing Activities	<u>(987,513)</u>	<u>(30,681,415)</u>
Cash flows from investing activities:		
Interest income	353,170	583,553
Net cash provided by Investing Activities	<u>353,170</u>	<u>583,553</u>
Net increase (decrease) in cash and cash equivalents	423,409	(30,534,749)
Cash and cash equivalents at beginning of year	15,305,931	45,840,680
Cash and cash equivalents at end of year	<u>\$ 15,729,340</u>	<u>\$ 15,305,931</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (9,299,657)	\$ (2,888,577)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	6,086,937	3,999,367
Effects of changes in operating assets and liabilities		
Receivables, net	635,517	385,411
Receivables, restricted	2,091,664	645,542
Lease receivables	802,032	(809,130)
Land and building inventory	4,359,599	-
Accounts payable and accrued liabilities	(2,679,072)	(608,539)
Liabilities payable from restricted assets	121,000	(50,000)
Unearned revenues	-	(50,693)
Deferred inflows from leases	(1,060,268)	(1,060,268)
Net cash provided by operating activities	<u>\$ 1,057,752</u>	<u>\$ (436,887)</u>
Noncash transactions:		
Capital contributions of capital assets from City of Virginia Beach	\$ -	\$ 1,917,166
Capital contributions of capital assets from Atlantic Park CDA	1,939,206	8,589,424
Capital loss on settlement	(5,589,564)	-
Principal repayment on long-term debt	(31,780,000)	(38,615,000)
Interest paid on long-term debt	(16,496,379)	(14,981,238)
Loss on retirement of capital asset	-	(206,862)
Loss on impairment of land and building inventory	(419,332)	-
Non-operating revenues from City of Virginia Beach	20,172,843	14,615,439
EDIP Appropriations	1,045,986	860,989

See accompanying notes to financial statements.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

(1) Summary of Significant Accounting Policies

Narrative Profile

The City of Virginia Beach Development Authority (the Authority) was established by an act of the Virginia General Assembly in 1964 to facilitate the expansion of the City of Virginia Beach's (the City) tax base through increased business investment and to create employment opportunities within the City. A commission composed of eleven commissioners appointed by the Virginia Beach City Council governs the Authority.

The Authority is considered a blended component unit of the City for reporting purposes and, as such, will be a blended component unit in the City's Annual Comprehensive Financial Report. Future funding and ongoing cash flows of the Authority are dependent on the City.

In evaluating how to define the Authority, for financial reporting purposes, management has determined that there are no entities over which the Authority exercises significant influence or accountability which is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Authority's accounting policies are described below.

The Authority assists in the business/industry location and retention process by acquiring, developing, and reselling land, issuing Industrial Revenue Bonds, and administering the Economic Development Investment Program (EDIP). Beginning in 1995, the Authority's mission was expanded to include facilitating economic development projects for the City in order to contribute to the City's economic growth and financial health. This facilitation has been in the structuring of public-private partnerships between the City and private entities.

(A) Basis of Financial Reporting

GASB has established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis – GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A), similar to how the private sector provides its annual reports.

Basic Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all the Authority's activities, which includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets, deferred outflows/inflows of resources, and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the Authority's business-type activities. The Authority reports all capital assets, including

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

infrastructure, and deferred outflows/inflows of resources in the Government-Wide Statement of Net Position along with depreciation expense – the cost of “using up” capital assets – in the Statement of

Revenues, Expenses and Changes in Fund Net Position. The net position of the Authority will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Revenues, Expenses, and Changes in Fund Net Position – The Statement of Revenues, Expenses, and Changes in Fund Net Position reports expenses and revenues for the Authority.

Statement of Cash Flows – The Statement of Cash Flows reports on the sources and uses of the Authority’s cash transactions. The operating cash flows provide additional information on the operating activities as shown in the Statement of Activities, while the financing and investing cash flows supplement the non-operating activities.

(B) *Basic Financial Statements*

In the Statement of Net Position, all assets and liabilities of the Authority are reflected on a full accrual, and economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The restricted cash and cash equivalents are used for specific purposes and capital projects. 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.

(C) *Measurement Focus and Basis of Accounting*

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these activities are included in the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The financial statements are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are revenues and expenses other than nonoperating. Nonoperating revenues and expenses include 1) subsidies received and provided, 2) contributions to permanent and term endowments, 3) revenues and expenses related to financing, 3) resources from the disposal of capital assets and inventory, and 4) investment income and expenses. Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute the proprietary fund’s principal ongoing operations.

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(D) Capital Assets

All capital assets are stated at cost. Capital assets are defined as assets with initial, individual costs exceeding a \$5,000 threshold. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	5-10 years
Equipment	5-10 years

A full month's depreciation is taken in the month an asset is placed in service unless otherwise stated. When property and equipment are disposed of, the cost of those assets and depreciation are removed from the respective accounts, and the resulting gain or loss is recorded.

(E) Land/Building Inventory

Land is stated at acquisition cost plus improvements and capitalized interest, if applicable, but not in excess of net realizable value. Transfers of land from the City to the Authority are recorded at the same carrying value so that no gain or loss is recognized. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized costs are allocated to each parcel benefited, based on the relative fair value before construction. As land is sold, all costs associated with that land are charged to the cost of land sold.

The following properties were bought, sold, or swapped in fiscal year 2026.

Approximately 17.4 usable acres and 21 acres total of land in Innovation Park was sold to Acoustical Sheetmetal in November 2025. The purchase decreased the property inventory on the Authority's books by \$3,940,265.

Approximately 4 acres of land in Corporate Landing Business Park was authorized for sale by the Authority on November 18th, 2025 to GovSolutions, Inc. The agreed upon price is \$800,000, or \$200,000 per acre. On April 13th, 2026 the Authority received an option deposit for the land of \$25,000.

During 2026 the fair market value of one parcel of land in Innovation Park and one parcel in Historic Kemps decreased below the cost basis of the Development Authority and were impaired to the lower fair market value. Innovation Park land inventory decreased by \$395,032 and Historic Kemps land inventory decreased by \$24,300

In the fiscal year 2025, the Authority did not buy, sell or swap any properties in Virginia Beach from their Land or Building Inventory.

(F) Leases

The Authority is a lessor for noncancellable leases of business space. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized

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

The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(G) Miscellaneous

Cash, Cash Equivalents, and Investments

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments are stated at amortized cost or at their fair value. Interest earnings on investments are allocated to the appropriate restricted cash account based on the average monthly cash balance. For purposes of the Statement of Cash Flows, all highly liquid debt instruments and certificates of deposit, regardless of the maturity date, are grouped into cash and cash equivalents.

Restricted Cash

Restricted cash includes 1) option deposits on land; 2) funds for capital and structural improvements and repairs and maintenance to the Social Services facility; 3) funds for the EDIP; 4) funds for the Façade Improvement Grant Program (FIG); 5) funds for the Atlantic Avenue Façade Improvement Grants Program 6) funds for the Bio-Initiative; 7) funds for capital and structural improvements and repairs and maintenance to the Virginia Beach National Golf Course facility; 8) funds for capital and structural improvements and repairs and maintenance to the Atlantic Park Entertainment Venue “The Dome” facility; and 9) construction funds for Atlantic Park.

Accounts Receivable

Where appropriate, receivables are shown net of an allowance for doubtful accounts.

Bond Premiums

Bond premiums are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds are reported net of the applicable bond premium. Per City policy, premiums are only allocated to the Authority when the related bonds are issued to acquire an asset that will be owned by the Authority.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

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June 30, 2026 and 2025

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and as such will not be recognized as an expense or expenditure until then. The Authority's deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The deferred outflows are amortized over the remaining life of the refunded debt or the life of the newly issued debt, whichever is shorter.

Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as revenue until then. The Authority's deferred inflows of resources consist of the amount by which the net carrying amount of refunded debt exceeds the principal and premium of a refunding bond, and long-term receivables associated with leases. The deferred inflows are amortized over the remaining life of the refunded debt or the life of the newly issued debt, whichever is shorter.

(H) *On-behalf payments – Compensation*

The Authority's operations are managed by City employees. The City also provides accounting, cash collections, debt service, and legal services for the Authority. The employees' time and City services rendered to the Authority are performed in conjunction with the employee's regular duties and routine services.

(I) *New Accounting Standards*

In Fiscal Year 2025, the City implemented GASB Statements No. 103, No. 104, and No. 105. The objective of GASB No. 103 is to improve 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. This Statement also addresses certain application issues. The objective of GASB No. 104 is to provide users of government financial statements with essential information about certain types of

capital assets. The statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. GASB No. 105 is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. GASB No. 105 did not have a material impact on the financial statements in FY26.

(2) *Cash and Cash Equivalents*

The Authority's June 30, 2026, bank balance was fully covered by the Federal Depository Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks and savings and loans holding public deposits in excess of the amounts insured by FDIC must pledge collateral to secure those public deposits in amounts set by regulations or action of the Treasury Board. Banks and savings and loans holding public deposits have two methods to secure Virginia public deposits: the dedicated method or the pooled method.

Under the dedicated method, public depositories can secure public deposits without accepting the contingent liability for the losses of public deposits of other qualified public depositories. Because the Commonwealth can only look to the collateral pledged by the depository choosing the dedicated method to

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

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Notes to Financial Statements

June 30, 2026 and 2025

cover any losses of deposits if the depository fails, the collateral required to be pledged and the reporting requirements under the dedicated method are more stringent than under the pooled method. Depositories choosing the dedicated method must pledge collateral between 105% to 130% of the public deposit balances net of FDIC based on the financial condition of the depository. Dedicated depositories are required to report their public deposit balances and the market value of pledged collateral on a weekly basis.

Under the pooled method, public depositories accept a contingent liability for the possible loss of public deposits from the failure of other public depositories that choose the pooled method. In the event of the failure of a pooled depository, the Treasury Board would first look to the collateral pledged by the failed depository to recover the loss of public deposits. If the realized value of the pledged collateral of the failed depository is not sufficient to cover the loss of public deposits at the failed depository, the Treasury Board will assess the remaining loss against the other depositories in the pool based on average public deposit balances held by pooled depositories during the previous twelve months.

For pooled banks, savings and loans, the collateral requirements approved by the Treasury Board in February 2009 are effective. For the first \$50 million in public deposits, the bank is required to pledge 50% collateral. For public deposits between \$50 million and \$250 million, the bank is required to pledge 75% collateral. For public deposits over \$250 million, the bank is required to pledge 100% collateral. Based on their financial condition, the Treasury Board may require some pooled banks to pledge 100% collateral.

The Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local officials of compliance by banks and savings and loans.

The Authority's reconciliations of total cash and cash equivalents to the financial statements on June 30, 2026 and 2025 are as follows:

	Total June 30, 2026	Total June 30, 2025
Cash and Cash Equivalents -		
Atlantic Union Bank	\$ 5,443,930	\$ 5,795,702
Restricted Cash and Cash Equivalents -		
Option deposits	121,000	-
Bio Initiative	395,732	533,234
Social Services	2,153,722	1,902,568
EDIP	8	1,044,988
EDIP Part E	430,349	500,880
Façade Improvement Grant (FIG)	76,110	83,227
Atlantic Avenue	239,392	-
Virginia Beach National Capital Reserve	970,969	2,058,426
Innovation Park Land Sale	3,728,481	1,394,057
Atlantic Park - Mixed Use Construction Fund	2,048,617	1,992,849
Atlantic Park Entertainment Venue - Capital Reserve	121,030	-
Total Restricted Cash		
and Cash Equivalents	10,285,410	9,510,229
Total	\$ 15,729,340	\$ 15,305,931

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

(3) Restricted Cash and Cash Equivalents

Option deposits held in escrow are not available for operations. The deposits are normally applied to the sale price of optioned land if the sale is consummated or forfeited in the event the option holder elects not to exercise the option. In the event the Authority is unable to satisfy its obligations stated in the option agreements, the option deposits would be fully refundable to the option holder. During 2026 the Authority received a deposit of \$25,000 for the option to purchase land in corporate landing business park from GovSolutions. The Authority has also been receiving monthly rental payments from ViDARR, Inc, for the

property at 2656 Lishelle Place which will reduce the purchase price if ViDARR purchases the property before September 15th, 2027. As of June 30, 2026 the Authority has received \$96,000 in lease deposits. During 2025 it was determined that option deposits paid by Arsenick Acres of \$50,000 and Anchor Reality of \$10,000 would not be exercised. Option deposits were \$121,000 and \$0 in the Authority Operations fund on June 30, 2026 and 2025, respectively.

Bio Initiatives funding of \$2,324,447 was provided to the Authority in fiscal year 2020 to support focus areas identified by the Bio-Medical Task Force. The program's goal is to drive new companies and start-ups to our region, especially to the Princess Anne Commons Biomedical cluster. During fiscal year 2025 LifeNet Health moved into a building in the Princess Anne Commons Biomedical cluster and the VBDA agreed to supplement the rent for their medical lab space. In FY 2026 the Authority paid LifeNet Health \$138,911 of those funds. Bio Initiative cash on June 30, 2026 and 2025 were \$395,732 and \$533,234, respectively.

The Social Services Facility reserve accounts on June 30, 2026 and 2025 were \$2,153,722 and \$1,902,568, respectively. The increase in cash from the prior year was associated with the receipt of monthly lease payments while there were minimal expenses during the year after the re-roofing and cooling tower replacement work was completed. These funds are reserved for capital and structural improvements, maintenance, and repairs to the facility in accordance with the lease agreement (See note 6).

The EDIP accounts were established in February 1994 through funds that the City appropriated from the Capital Improvement Program EDIP Project for economic development activities. This program represents annual funding from the City to the Authority to be used for on-site and off-site infrastructure needs as well as training expenses for businesses meeting certain criteria. Businesses having received EDIP awards or projects having received EDIP funding are reimbursed for qualifying expenses out of these accounts. It was decided that going forward the VBDA would be reimbursed on a per transaction basis and the EDIP cash account would be closed so the City could better invest that money. The last of the EDIP was used in June 2026 and the account will be closed in early fiscal year 2027. EDIP cash and cash equivalents in the Operations Fund on June 30, 2026, and 2025 were \$8 and \$1,044,988. During the fiscal year 2020, City Council approved \$2,500,000 of EDIP funding to help small businesses impacted by the COVID-19 pandemic (EDIP Part E). In the Operations Fund on June 30, 2026 and 2025 the balance of the EDIP Part E funding was \$430,349 and \$500,880, respectively.

Beginning in April of 2008, the Authority began receiving a percentage of gross receipts from Virginia Beach National Golf Course to fund capital maintenance and repairs to the facility. These payments are received monthly per the management agreement. At the beginning of FY 2025 it was determined future Capital Maintenance repairs would be much more than anticipated, so the Development Authority transferred \$1,800,000 from the operating cash account to help cover some of the Capital Maintenance

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

costs expected to be incurred over the next few years. On June 30, 2026 and 2025 the balance of the Virginia Beach National Capital Reserve account was \$970,969 and \$2,058,426, respectively.

Beginning in July 2025, the Authority began receiving a quarterly revenue share from Live Nation for tickets sold at the Dome by Rutter Mills. The Authority will receive \$1 for each ticket sold at the venue and are to be restricted for future capital maintenance repairs. On June 30, 2026 and 2025 the balance of the Dome by Rutter Mills capital reserve account was \$121,030 and \$0, respectively.

Other restricted cash accounts include: (1) Innovation Park Land Sale proceeds to be re-invested within the Innovation Park; (2) Cash held for Atlantic Park Construction Funds; (3) Cash for Façade Improvement Grants, and (4) Cash for the Atlantic Avenue Façade Improvement Grant Program.

(4) Receivables

Receivables on June 30, 2026 and 2025 consist of the following:

	Total June 30, 2026	Total June 30, 2025
Authority Operations	\$ 156,502	\$ 792,019
Current Receivables, net	<u>156,502</u>	<u>792,019</u>
Due from Atlantic Park CDA	-	1,590
Due from City of Virginia Beach	828,486	3,333,631
Security Deposit	9,986	9,986
Current Receivables, restricted	<u>838,472</u>	<u>3,345,207</u>
EDIP appropriations from City	10,490,767	10,075,696
Noncurrent Receivables, restricted	<u>10,490,767</u>	<u>10,075,696</u>
Accounts receivable, net	\$ <u>11,485,741</u>	\$ <u>14,212,922</u>

(5) Capital Asset

The following schedules summarize the capital assets of the Authority as of June 30, 2026 and 2025.

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Non-depreciable assets:				
Other non-depreciable assets	\$ 1,130,390	\$ -	\$ -	\$ 1,130,390
Construction in progress	2,344,215	6,001,870	8,346,085	-
Land	52,508,966	-	5,589,564	46,919,402
Total non-depreciable assets	<u>55,983,571</u>	<u>6,001,870</u>	<u>13,935,649</u>	<u>48,049,792</u>
Depreciable assets:				
Buildings	241,677,635	8,346,085	-	250,023,720
Equipment and fixtures	1,661,824	-	-	1,661,824
Total depreciable assets	<u>243,339,459</u>	<u>8,346,085</u>	<u>-</u>	<u>251,685,544</u>
Less Accumulated Depreciation for:				
Buildings	60,566,046	6,032,099	-	66,598,145
Equipment and fixtures	732,823	54,838	-	787,661
Total accumulated depreciation	<u>61,298,869</u>	<u>6,086,937</u>	<u>-</u>	<u>67,385,806</u>
Capital Assets, Net	\$ <u>238,024,161</u>	\$ <u>8,261,018</u>	\$ <u>13,935,649</u>	\$ <u>232,349,530</u>

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Non-depreciable assets:				
Other non-depreciable assets	\$ 1,130,390	\$ -	\$ -	\$ 1,130,390
Construction in progress	61,155,158	38,434,918	97,245,861	2,344,215
Land	51,568,050	940,916	-	52,508,966
Total non-depreciable assets	<u>113,853,598</u>	<u>39,375,834</u>	<u>97,245,861</u>	<u>55,983,571</u>
Depreciable assets:				
Buildings	143,454,723	98,222,912	-	241,677,635
Equipment and fixtures	1,945,561	-	283,737	1,661,824
Total depreciable assets	<u>145,400,284</u>	<u>98,222,912</u>	<u>283,737</u>	<u>243,339,459</u>
Less Accumulated Depreciation for:				
Buildings	56,607,807	3,958,239	-	60,566,046
Equipment and fixtures	723,519	41,128	31,824	732,823
Total accumulated depreciation	<u>57,331,326</u>	<u>3,999,367</u>	<u>31,824</u>	<u>61,298,869</u>
Capital Assets, Net	\$ <u>201,922,556</u>	\$ <u>133,599,379</u>	\$ <u>97,497,774</u>	\$ <u>238,024,161</u>

During the fiscal year ended June 30, 2026 and 2025, depreciation expense related to capital assets was \$6,086,937 and \$3,999,367, respectively.

(6) Leases

GASB 87 Leases

GASB statement No. 87 requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority has two leases that are applicable under the GASB statement No. 87 guidance.

(A) Social Services Facility

On February 1, 2019, the Authority entered the first of three four-year renewal terms for the use of the Social Services facility. An initial lease receivable was recorded in the amount of \$1,002,487. The first of the four-year renewal terms was completed in March 2023 and the second four-year renewal term began on April 1, 2023, and an initial lease receivable was recorded in the amount of \$4,519,510. As of June 30, 2026 and 2025, the value of the lease receivable was \$2,702,403 and \$3,264,251, respectively. The lessee is required to make an annual payment of \$574,928. The lease has an interest rate of 0.435%. The value of the deferred inflows of resources as of June 30, 2026 and 2025, was \$2,683,458 and \$3,248,397, respectively.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

(B) 31st Street Garage

In July 2003, the 31st Street Garage Deed of Lease Agreement was executed. This provides that in 2005, Thirty-First Street, L.C. began paying the Authority parking rent with three components: basic rent, special basic rent, and additional rent. Basic rent is payable in equal monthly installments. Special basic rent is payable annually on the first day of each lease year. Additional rent is based upon a percentage of hotel room revenues, not exceeding the maximum amount, and is payable at the end of each lease year. In addition, Thirty-First Street, L.C. is also responsible for the payment of retail rent in the amount of \$15 per square foot of retail space. Retail rent is payable in equal monthly installments. Article XIII.B.7 of the Development Agreement provides for an annual rent credit of \$260,000 for the first 25 years of the lease. The term of the lease is 65 years and expires June 30, 2070. An initial lease receivable was recorded in the amount of \$24,271,125. As of June 30, 2026 and 2025, the value of the lease receivable was \$23,029,749 and \$23,269,933, respectively. The lease has an interest rate of 0.435%. The value of the deferred inflows of resources as of June 30, 2026 and 2025, was \$21,794,480 and \$22,289,809, respectively.

As of June 30, 2026, the Authority had minimum principal and interest lease receivable payments for the 31st Street Garage and Social Services Facility as follows:

	Combined		
	Principal Payments	Interest Payments	Total Payments
2027	\$ 805,528	\$ 110,330	\$ 915,858
2028	809,039	106,819	915,858
2029	812,566	103,292	915,858
2030	816,107	99,751	915,858
2031	936,399	95,727	1,032,126
2032-2036	2,563,192	442,239	3,005,431
2037-2041	2,619,542	385,108	3,004,650
2042-2046	2,677,130	327,520	3,004,650
2047-2051	2,735,985	268,665	3,004,650
2052-2056	2,796,134	208,516	3,004,650
2057-2061	2,857,604	147,046	3,004,650
2062-2066	2,920,427	84,223	3,004,650
2067-2070	2,382,499	21,220	2,403,719
	<u>\$ 25,732,152</u>	<u>\$ 2,400,456</u>	<u>\$ 28,132,608</u>

Non GASB 87 Leases

The Authority has additional leases that do not meet the criteria for recording in accordance with GASB 87 as the future rental income is not fixed or determinable and there are no minimum annual payments required in these leases. The following schedules shows the composition of the Authority's investment in property under these leases as of June 30, 2026 and 2025.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

<u>As of June 30, 2026</u>	Virginia Beach National Golf Course	Town Center Garages	9th Street Garage	Atlantic Park Entertainment Venue & Parking Garage
Investment including Land	\$ 5,324,109	\$ 78,118,746	\$ 9,750,000	\$ 125,701,750
Less Accumulated Depreciation	(2,043,861)	(34,226,451)	(5,200,000)	(2,833,652)
Net Investment in Property held for Lease	\$ 3,280,248	\$ 43,892,295	\$ 4,550,000	\$ 122,868,098

<u>As of June 30, 2025</u>	Virginia Beach National Golf Course	Town Center Garages	9th Street Garage	Atlantic Park Entertainment Venue & Parking Garage
Investment including Land	\$ 4,636,163	\$ 78,118,746	\$ 9,750,000	\$ 126,015,316
Less Accumulated Depreciation	(2,043,861)	(32,392,747)	(4,956,250)	(404,808)
Net Investment in Property held for Lease	\$ 2,592,302	\$ 45,725,999	\$ 4,793,750	\$ 125,610,508

(7) Unearned Revenues

Unearned revenues on June 30, 2026 and 2025 consist of the following:

	<u>Total June 30, 2026</u>	<u>Total June 30, 2025</u>
Unearned Revenue:		
EDIP	\$ 10,776,124	\$ 11,471,603
District Improvement Plan	315,502	73,570
Bio Initiative	395,732	533,234
Total Unearned Revenue	<u>\$ 11,487,358</u>	<u>\$ 12,078,407</u>

(8) Long-Term Debt

A) Revenue Bonds

As a result of the implementation of *GASB Statement No. 91, Conduit Debt Obligations*, the Authority no longer presents the City's Public Facility Revenue Bonds (PFRB), which are issued by the Authority, as conduit debt. The Statement of Net Position also includes a corresponding due from the City, reflecting that these bonds and related transactions are responsibility of the City.

The Authority issued PFRB's in 2005 and 2007 to finance the acquisition of three public parking garages and appurtenant structures for the Town Center Project – Phase II and III. The Authority issued a PFRB in 2014 to purchase the Block 11 garage in Town Center Phase V.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

The Authority issued PFRB's in 2018 to finance a public plaza and public infrastructure to elevate Zeiders American Dream Theater in Town Center Plaza Phase VI. The Authority issued PFRB's in 2020 to finance the Virginia Beach Sports Center and related parking located on 19th street across from the Virginia Beach Convention Center. During 2024 the Authority issued PFRB's for public infrastructure related to the Atlantic Park development including an entertainment venue, streetscapes, offsite infrastructure and two parking garages.

Portions of all PFRB's was used to finance acquisition and construction of various capital improvements in the City of Virginia Beach.

All PFRB debt are limited obligations of the Authority, payable solely from payments made by the City pursuant to a support agreement dated September 1, 2003, as supplemented and amended.

B) Long-Term Debt

Long-term debt activities for the year ended June 30, 2026 and 2025 were as follows:

	Balance			Balance	Amounts
	June 30, 2025	Additions	Reductions	June 30, 2026	Due Within
					One Year
Public Facility Revenue Bonds	\$ 373,135,000	\$ -	\$ 31,780,000	\$ 341,355,000	\$ 30,785,000
Bond Premium	33,672,230	-	2,914,625	30,757,605	2,435,177
Total Long-Term Debt	<u>\$ 406,807,230</u>	<u>\$ -</u>	<u>\$ 34,694,625</u>	<u>\$ 372,112,605</u>	<u>\$ 33,220,177</u>

	Balance			Balance	Amounts
	June 30, 2024	Additions	Reductions	June 30, 2025	Due Within
					One Year
Public Facility Revenue Bonds	\$ 411,750,000	\$ -	\$ 38,615,000	\$ 373,135,000	\$ 31,780,000
Bond Premium	37,932,073	-	4,259,843	33,672,230	2,914,626
Total Long-Term Debt	<u>\$ 449,682,073</u>	<u>\$ -</u>	<u>\$ 42,874,843</u>	<u>\$ 406,807,230</u>	<u>\$ 34,694,626</u>

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

Annual debt service requirements to maturity for all long-term bonds as of June 30, 2026, are summarized as follows:

	Principal Payments	Interest Payments
2027	\$ 30,785,000	\$ 14,928,404
2028	30,455,000	13,452,191
2029	23,965,000	12,085,579
2030	23,845,000	10,894,541
2031	23,870,000	9,722,510
2032-2036	108,320,000	32,598,193
2037-2041	75,925,000	13,547,945
2042-2044	24,190,000	2,318,850
Total	\$ 341,355,000	\$ 109,548,213

C) Summary of Recent Refundings

On June 5, 2024 the Authority issued \$27.2 million of PFRB, series 2024B to refund the remaining portions of the PFRB, series 2012A and 2014A. The refunded bonds combined with \$2.57 million in premiums provided resources to purchase US Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$35.29 million of PFRBs. As a result, the refunded bonds are defeased and the liability has been removed from the statement of net position. The net carrying amount of the old debt exceeded the reacquisition price by \$2.42 million. The difference is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over a 10-year period by \$1.35 million and will result in an economic gain of \$1.05 million. The escrow agent called the series 2012A and 2014A refunded bonds on August 29, 2024.

(9) Conduit Debt Obligations - Industrial Revenue Bonds

Periodically, the Authority issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is never obligated in any manner to the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2026 and 2025, there were Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$537,856,328 and \$543,060,915, respectively.

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements

June 30, 2026 and 2025

(10) Subsequent Events

The Authority has evaluated subsequent events through the date the financial statements were available to be issued, October 9, 2026 and determined that the following subsequent event has occurred that requires disclosure in the financial statements.

Approximately 4.53 usable acres of land in Corporate Landing Business Park was authorized for sale by the Authority on March 15th, 2022 to Zero Point, Inc. (dba Yankee Doodle LLC). The sale was finalized on September 16th, 2026 and the agreed upon settlement price was \$861,400

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia

Schedule of General and Other Expenses
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
General expenses:		
Amphitheater box seating	\$ 15,000	\$ 15,000
Independent audit fees	21,349	25,369
Commissioner stipend	5,800	6,300
Cavalier Hotel incentives	936,993	—
Amphitheater Building maintenance	—	55,785
Total general expenses	<u>979,142</u>	<u>102,454</u>
Other expenses:		
Architecture and engineering - Corporate Landing	1,351,051	107,821
Architecture and engineering - Innovation Park	247,241	68,902
Architecture and engineering - Atlantic Park	426,941	4,684
Conduit management fees	189,254	210,079
Bio Accelerator lease	—	47,642
International Incubator maintenance	11,382	—
Park maintenance – Corporate Landing	62,294	89,841
Utilities – Corporate Landing fountain	90	79
Utilities and maintenance – 110 S. Independence Blvd	11,132	9,067
Miscellaneous	31,037	111,359
Total other expenses	<u>2,330,422</u>	<u>649,474</u>
Total general and other expenses	\$ <u><u>3,309,564</u></u>	\$ <u><u>751,928</u></u>

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia

Schedule of Land and Building Inventory
June 30, 2026 and 2025

Description:	2026	2025
Oceana West Corporate Park – beginning inventory July 1	\$ 1,555,548	\$ 1,555,548
Current – cost of sales	—	—
Oceana West Corporate Park – ending inventory June 30	<u>1,555,548</u>	<u>1,555,548</u>
Corporate Landing Office Park – beginning inventory July 1	8,489,205	8,489,205
Current – infrastructure design	—	—
Current – cost of sales	—	—
Corporate Landing Office Park – ending inventory June 30	<u>8,489,205</u>	<u>8,489,205</u>
Hunt Club 2 – beginning inventory July 1	200,305	200,305
Current – cost of sales	—	—
Hunt Club 2 – ending inventory June 30	<u>200,305</u>	<u>200,305</u>
Town Center Beacon Land – beginning inventory July 1	3,402,900	3,402,900
Impairment	—	—
Current – cost of sales	—	—
Town Center Beacon Land – ending inventory June 30	<u>3,402,900</u>	<u>3,402,900</u>
Historic Kempsville - beginning inventory July 1	543,000	543,000
Impairment	(24,300)	—
Current - land acquisition and preparation	—	—
Historic Kempsville - ending inventory June 30	<u>518,700</u>	<u>543,000</u>
Progress Lane - beginning inventory July 1	308,200	308,200
Current - land acquisition	—	—
Progress Lane - ending inventory June 30	<u>308,200</u>	<u>308,200</u>
Bio Park - beginning inventory July 1	11,892,699	11,892,699
Current - cost of sales	(3,940,266)	—
Impairment	(395,033)	—
Current - land acquisition	—	—
Bio Park - ending inventory June 30	<u>7,557,400</u>	<u>11,892,699</u>
Total ending inventory	<u><u>\$ 22,032,258</u></u>	<u><u>\$ 26,391,857</u></u>

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia

Schedule of Construction in Progress
June 30, 2026

Expended during the year ended June 30:	<u>Town Center Infrastructure</u>	<u>Atlantic Park</u>	<u>Corporate Landing Conduit</u>	<u>2656 Lishelle Place</u>	<u>Pedestrian Bridge</u>	<u>Human Services</u>	<u>VB National Golf Course</u>	<u>Total</u>
2001	\$ 3,095,062	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2002	956,014	—	—	—	—	—	—	—
2003	2,581,205	—	—	—	—	—	—	2,581,205
2004	(1,704,696)	—	—	—	—	—	—	(1,704,696)
2005	(4,901,962)	—	—	—	—	—	—	(4,901,962)
2006	34,449	—	—	—	—	—	—	34,449
2007	233,037	100,738	—	—	—	—	—	—
2008	1,445,110	10,200	—	—	272,603	—	—	1,727,913
2009	(1,628,463)	—	—	—	6,535	—	—	(1,621,928)
2010	98	—	—	—	—	—	—	98
2011	3,872	—	—	—	—	—	—	3,872
2012	2,300	—	—	—	—	—	—	2,300
2013	49,080	6,459	—	—	—	—	—	55,539
2014	736,650	—	—	—	—	—	—	736,650
2015	(901,756)	(117,397)	—	—	—	—	—	(1,019,153)
2016	—	—	—	—	—	—	—	—
2017	55,008	—	—	—	—	—	—	55,008
2018	814,241	75,425	—	—	—	—	—	889,666
2019	(869,249)	38,374	1,071,160	—	(279,138)	—	—	(38,853)
2020	—	266,679	(1,071,160)	—	—	—	—	(804,481)
2021	—	295,093	—	—	—	—	—	295,093
2022	—	3,319,230	—	—	—	—	—	3,319,230
2023	—	16,424,249	—	—	—	—	—	16,424,249
2024	—	40,641,966	—	94,142	—	—	—	40,736,108
2025	—	(61,061,016)	—	(94,142)	—	2,074,203	270,012	(58,810,943)
2026	—	—	—	—	—	(2,074,203)	(270,012)	(2,344,215)
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY
Component Unit of the City of Virginia Beach, Virginia

Schedule of Economic Development Improvement Program and District Improvement Plan Unearned Revenue
June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Balance Forward	\$ 12,078,407	\$ 11,871,074
Funding sources:		
EDIP City Appropriation - fiscal year	1,045,986	860,989
DIP City Appropriation - fiscal year	100,000	100,000
Atlantic Avenue FIG City Appropriation - fiscal year	250,000	—
APZ-1 Reimbursements	9,407	25,593
Interest earned- fiscal year	2,032	3,235
Total Funding Available	<u>13,485,832</u>	<u>12,860,891</u>
Expenses:		
EDIP awards paid	(1,674,600)	(343,371)
DIP (FIG) awards paid	(97,459)	(156,146)
Atlantic Avenue FIG awards paid	(10,608)	—
APZ-1 awards and expenses paid	(9,407)	(150,593)
Small Business Grant Program awards paid - EDIP Part-F	(65,569)	(80,960)
Bio-Initiative supplemental rent award paid	(138,911)	(49,942)
Engineering studies, legal fees and miscellaneous expenses	(1,920)	(1,472)
Total Expenditures	<u>(1,998,474)</u>	<u>(782,484)</u>
Total Unearned Revenue - Economic Development Program & Distric Improvement Plan	\$ <u>11,487,358</u>	\$ <u>12,078,407</u>

CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Schedule of Operating and Nonoperating Revenues and Subsidies from City of Virginia Beach
Year Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
<u>Operating</u>		
Virginia Beach Amphitheater Capital Improvement Program	305,422	410,137
Town Center Garage - Special Service District	4,455,391	3,341,799
Cavalier Hotel annual incentive payment	936,993	—
Operating Revenues from the City of Virginia Beach	<u>5,697,806</u>	<u>3,751,936</u>
<u>Nonoperating</u>		
City Obligations - Payment of debt service for Pubic Facility Revenue Bonds	\$ 7,296,099	\$ —
Atlantic Park - Payment of debt service for Pubic Facility Revenue Bonds	10,886,860	7,580,424
Central Business District - South payment of debt service for Public Facility Revenue Bonds	1,972,970	5,455,271
9th Street Garage payment of debt service for Public Facility Revenue Bonds	896	652,030
31st Street Garage payment of debt service for Public Facility Revenue Bonds	16,018	927,714
Bio-Initiative funding	—	47,642
Revenue from Support Agreement with City of Virginia Beach	<u>20,172,843</u>	<u>14,663,081</u>
Capital Contributions from the City of Virginia Beach	3,075,151	28,739,155
Non Operating Revenues From the City of Virginia Beach	<u>23,247,994</u>	<u>43,402,236</u>
Total Revenues From the City of Virginia Beach	<u><u>\$ 28,945,800</u></u>	<u><u>\$ 18,415,017</u></u>

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 Commissioners
City of Virginia Beach Development Authority
Virginia Beach, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the “Specifications”), the financial statements of the City of Virginia Beach Development Authority (the “Authority”), a component unit of the City of Virginia Beach, Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 9, 2026.

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”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

Report on Compliance and Other Matters

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

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 9, 2026