

**ECONOMIC DEVELOPMENT AUTHORITY  
OF YORK COUNTY, VIRGINIA**

**(A Component Unit of the County of York, Virginia)**

Financial Statements and Supplemental Information

Years Ended June 30, 2015 and 2014

**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
Financial Statements and Supplemental Information  
Years Ended June 30, 2015 and 2014

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## **Report of Independent Auditor**

Authority Members and Officials  
Economic Development Authority of York County, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Economic Development Authority of York County, Virginia (the "Authority") a component unit of the County of York, Virginia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

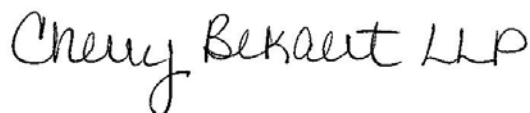
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other 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 Schedules of Conduit Debt Outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate 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 Schedules of Conduit Debt Outstanding are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, 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 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 "Cheryl Bekaert LLP".

Virginia Beach, Virginia  
November 25, 2015

**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
Management's Discussion and Analysis  
June 30, 2015 and 2014

This section of the Economic Development Authority of York County, Virginia's (the "Authority") annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the Authority's financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- In fiscal year 2015, the Authority continued to successfully operate the Yorktown waterfront commercial development, Riverwalk Landing, which has continued to be a popular destination for tourists and locals. Riverwalk Landing was fully leased in fiscal year 2015 and the new restaurant Water Street Grille has been very successful.
- Two new mixed use communities, Commonwealth Green and Yorktown Crescent, broke ground in fiscal year 2015. The two projects combined will add over 78,000 square feet of commercial space to the County.
- Sam's Club closed on a 13.5 acre parcel in the Marquis and plans to build a new store in 2016. This destination retailer along with new residential development in the second phase of the Marquis should spark additional retail and restaurant development.
- Spain Commercial purchased five acres in the York River Commerce Park from the Authority. Spain plans to break ground immediately on an 18,000 square foot flex building that is already fully leased.
- Commercial building permit values increased significantly in fiscal year 2015 increasing from \$23.4 million to \$36.2 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Statement of Net Position presents information on all Authority assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
Management's Discussion and Analysis  
June 30, 2015 and 2014

**FINANCIAL ANALYSIS**

<b>Summary of Statement of Net Position at:</b>	<b><u>6/30/2015</u></b>	<b><u>6/30/2014</u></b>	<b><u>6/30/2013</u></b>
Current assets	\$ 563,403	\$ 538,773	\$ 401,160
Noncurrent assets	2,136,235	2,008,131	1,294,738
Capital assets	<u>759,224</u>	<u>788,165</u>	<u>817,106</u>
Total assets	<u>\$ 3,458,862</u>	<u>\$ 3,335,069</u>	<u>\$ 2,513,004</u>
Current liabilities	\$ 82,741	\$ 106,170	\$ 85,716
Noncurrent liabilities	<u>205,857</u>	<u>216,121</u>	<u>191,498</u>
Total liabilities	<u>288,598</u>	<u>322,291</u>	<u>277,214</u>
Net investment in capital assets	759,224	788,165	817,106
Unrestricted	<u>2,411,040</u>	<u>2,224,613</u>	<u>1,418,684</u>
Total net position	<u>3,170,264</u>	<u>3,012,778</u>	<u>2,235,790</u>
Total liabilities and net position	<u>\$ 3,458,862</u>	<u>\$ 3,335,069</u>	<u>\$ 2,513,004</u>

At the close of the 2015 and 2014 fiscal years, the Authority's assets exceeded liabilities by \$3,170,264 and \$3,012,778, respectively. The Authority's total net position increased by \$157,486, primarily due to the receipt of donated land and a decrease in accounts payable. A significant portion of the Authority's net position, \$2,411,040, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations.

At the close of 2014, the Authority's total net position increased by \$776,988, primarily due to a purchase of land held for resale. A significant portion of the Authority's net position, \$2,224,613, was unrestricted.

**Summary of Statement of Revenues, Expenses and Changes in Net Position for the year ended:**

	<b><u>6/30/2015</u></b>	<b><u>6/30/2014</u></b>	<b><u>6/30/2013</u></b>
<b>Operating Revenues</b>			
Intergovernmental	\$ 46,250	\$ 864,849	\$ 49,250
Waterfront rent	243,098	244,872	200,913
Gain on land held for resale	12,306	-	-
Administrative fees	140,798	137,361	126,462
Miscellaneous	3,000	4,965	15,350
Local Recovered Costs	<u>-</u>	<u>2,057</u>	<u>-</u>
Total operating revenues	<u>445,452</u>	<u>1,254,104</u>	<u>391,975</u>
<b>Operating Expenses</b>			
Waterfront operations	218,097	221,838	175,912
Economic development	374,610	187,904	315,208
Other fees and miscellaneous	<u>64,352</u>	<u>66,815</u>	<u>92,139</u>
Total operating expenses	<u>657,059</u>	<u>476,557</u>	<u>583,259</u>
<b>Operating Income (Loss)</b>	<u>(211,607)</u>	<u>777,547</u>	<u>(191,284)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>93</u>	<u>(559)</u>	<u>1,101</u>
<b>Capital Contribution</b>	<u>369,000</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>157,486</u>	<u>776,988</u>	<u>(190,183)</u>
Net position, beginning of the year	<u>3,012,778</u>	<u>2,235,790</u>	<u>2,425,973</u>
Net position, end of the year	<u>\$ 3,170,264</u>	<u>\$ 3,012,778</u>	<u>\$ 2,235,790</u>

**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
Management's Discussion and Analysis  
June 30, 2015 and 2014

**FINANCIAL ANALYSIS**, Continued

York County, Virginia (the "County") contributes to the operations of the Authority on an annual basis and makes economic development contributions for certain incentives, which vary from one year to the next. These contributions are reflected as intergovernmental revenue. The County contributed \$46,250 in fiscal year 2015. In fiscal year 2014, intergovernmental revenue was the major funding source due to payments from York County of \$716,599, to assist with the purchase of additional land, to be held for resale. Further, the County contributed \$100,000 to the Authority for economic development incentives during fiscal year 2014. York County also contributed \$48,250 for operations in fiscal year 2014.

Rental and lease income, as well as expenses, remained level with 2014 due to continued full occupancy at Riverwalk Landing.

The Authority continues to work cooperatively and receive significant funding from the County. As a result of this relationship, the Authority's fiscal position continues to remain positive and stable.

**CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION**

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Land improvements	\$ 7,364	\$ 8,004	\$ 8,644
Infrastructure	751,860	780,161	808,462
Total	<u>\$ 759,224</u>	<u>\$ 788,165</u>	<u>\$ 817,106</u>

Capital assets at June 30, 2015, reflect assets that provide water and sewer access to property owned by the Authority. Additional information can be found in note 4 to the basic financial statements.

**NOTES PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY**

<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
<u>\$ 156,667</u>	<u>\$ 176,667</u>	<u>\$ 196,667</u>

At June 30, 2015 and 2014, the notes payable to the County relate to the Riverwalk Landing direct financing lease.

Additional information on these can be found in Notes 3 and 5 to the basic financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide users (citizens, taxpayers, bondholders, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning the report or requests for additional information should be directed to Director of Economic Development, York County Economic Development Authority, 224 Ballard Street, Yorktown, Virginia 23690 or telephone (757) 890-3317.

**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
 Statements of Net Position

	<u>6/30/2015</u>	<u>6/30/2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$ 529,746	\$ 503,051
Accounts receivable	13,657	15,722
Investment in direct finance lease, current	20,000	20,000
Total current assets	<u>563,403</u>	<u>538,773</u>
Noncurrent assets:		
Restricted cash and equivalents	13,936	11,994
Land held for resale	1,985,279	1,838,949
Prepaid expense	19	20
Investment in Waterside Capital Corporation	334	501
Investment in direct finance lease, net current	136,667	156,667
Depreciable capital assets:		
Land improvements	9,604	9,604
Infrastructure	850,913	850,913
Accumulated depreciation	<u>(101,293)</u>	<u>(72,352)</u>
Total noncurrent assets	<u>2,895,459</u>	<u>2,796,296</u>
Total assets	<u>\$ 3,458,862</u>	<u>\$ 3,335,069</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 4,497	\$ 61,069
Due to Primary Government - York County	5,509	25,101
Collaborative project deposit	52,735	-
Note payable to Primary Government - York County, current	20,000	20,000
Total current liabilities	<u>82,741</u>	<u>106,170</u>
Noncurrent liabilities:		
Deposits payable	13,936	11,994
Unearned revenues	55,254	47,460
Note payable to Primary Government - York County, net current	136,667	156,667
Total noncurrent liabilities	<u>205,857</u>	<u>216,121</u>
Total liabilities	<u>288,598</u>	<u>322,291</u>
<b>NET POSITION</b>		
Net investment in capital assets	759,224	788,165
Unrestricted	<u>2,411,040</u>	<u>2,224,613</u>
Total net position	<u>3,170,264</u>	<u>3,012,778</u>
Total liabilities and net position	<u>\$ 3,458,862</u>	<u>\$ 3,335,069</u>

The accompanying notes are an integral part of the basic financial statements.



**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
Statements of Revenues, Expenses and Changes in Net Position

	<b>Year Ended</b>	
	<b><u>6/30/2015</u></b>	<b><u>6/30/2014</u></b>
<b>Operating Revenues</b>		
Intergovernmental	\$ 46,250	\$ 864,849
Waterfront rent	218,097	219,871
Gain on sale, net of \$222,669 costs	12,306	-
Lease income	25,001	25,001
Industrial revenue bond administrative fees	140,798	137,361
Miscellaneous	3,000	4,965
Local Recovered Costs	<u>-</u>	<u>2,057</u>
Total operating revenues	<u>445,452</u>	<u>1,254,104</u>
<b>Operating Expenses</b>		
Waterfront operations	105,686	105,938
Waterfront rentals	112,411	115,900
Economic development incentives	374,610	187,904
Professional fees	17,769	15,873
Board member fees	4,200	4,100
Miscellaneous	13,442	17,901
Depreciation	<u>28,941</u>	<u>28,941</u>
Total operating expenses	<u>657,059</u>	<u>476,557</u>
<b>Operating Income</b>	<u>(211,607)</u>	<u>777,547</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	6,373	5,721
Interest expense	<u>(6,280)</u>	<u>(6,280)</u>
Total nonoperating revenues (expenses), net	<u>93</u>	<u>(559)</u>
<b>Capital Contribution</b>	<u>369,000</u>	<u>-</u>
<b>Change in Net Position</b>	157,486	776,988
Total net position, beginning of year	<u>3,012,778</u>	<u>2,235,790</u>
Total net position, end of year	<u><u>\$ 3,170,264</u></u>	<u><u>\$ 3,012,778</u></u>

The accompanying notes are an integral part of the basic financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**  
**Statements of Cash Flows**

	<b>Year Ended</b>	
	<b><u>6/30/2015</u></b>	<b><u>6/30/2014</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from primary government - York County	\$ 46,250	\$ 864,849
Receipts from rental income	252,957	297,397
Receipt from the net proceeds of land held for resale	234,976	-
Other receipts	143,798	144,383
Payments to suppliers for goods and services	(645,404)	(424,227)
Payments to Board members for services	(4,200)	(4,100)
<b>Net cash provided by operating activities</b>	<b><u>28,377</u></b>	<b><u>878,302</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	-	(738,200)
Interest paid on debt	(6,280)	(6,280)
<b>Net cash used in capital and related financing activities</b>	<b><u>(6,280)</u></b>	<b><u>(744,480)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Note proceeds paid to debtor	-	6,600
Interest income	6,540	6,611
<b>Net cash provided by investing activities</b>	<b><u>6,540</u></b>	<b><u>13,211</u></b>
<b>Net change in cash and cash equivalents</b>	<b>28,637</b>	<b>147,033</b>
Cash and cash equivalents, beginning of year	515,045	368,012
Cash and cash equivalents, end of year	<b><u>\$ 543,682</u></b>	<b><u>\$ 515,045</u></b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Position:</b>		
Cash and equivalents	\$ 529,746	\$ 503,051
Restricted cash and equivalents	13,936	11,994
Cash and cash equivalents, end of year	<b><u>\$ 543,682</u></b>	<b><u>\$ 515,045</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (211,607)	\$ 777,547
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	28,941	28,941
Changes in assets and liabilities:		
Accounts receivable	2,065	5,086
Prepaid expense	1	1,651
Land held for resale	222,670	-
Accounts payable	(56,572)	14,223
Unearned revenue	7,794	47,439
Deposits payable	1,942	(2,816)
Collaborative project deposit	52,735	-
Due to Primary Government - York County	(19,592)	6,231
<b>Net cash provided by operating activities</b>	<b><u>\$ 28,377</u></b>	<b><u>\$ 878,302</u></b>
<b>Noncash capital and financing activities:</b>		
Change in direct financing lease and corresponding change in note payable to primary government - York County	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Change in fair value of Waterside Capital Corporation investment	<u>\$ (167)</u>	<u>\$ (890)</u>
Contribution of land held for resale	<u>\$ 369,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Economic Development Authority of York County, Virginia (the "Authority") was created as a tax-exempt political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of York, Virginia (the "County") on July 6, 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, duly enacted into law as 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 Board of Supervisors of the County. It is authorized to acquire, own, lease and dispose of properties in order to promote industry and develop trade by inducing enterprises to locate and remain in Virginia. In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under such bonds may be retained by the Authority, or it may be assumed by the enterprises for which the facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to the bond trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the County, the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be collateralized by a deed of trust on those facilities.

**The Reporting Entity**

The Authority is considered a component unit of the County. Component units are legally separate entities for which a Primary Government is financially accountable. The information in these financial statements will also be included in the County's basic financial statements because of the significance of the Authority's financial relationship with the County.

The Authority exists as a legal entity with a Board of Directors appointed by the County's Board of Supervisors. The Board of Directors manages and allocates operating and marketing budgets and capital funds recorded on the books of the Authority.

**Basis of Accounting**

The Authority's operations are accounted for as a proprietary fund, using the economic resources measurement focus. This proprietary fund is used to account for the activities of the Authority as noted above. The financial statements are presented on the accrual basis of accounting, using the economic resources measurement focus. 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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations.

**Use of Estimates**

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

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Pass-thru Financing Leases**

Most activities of the Authority represent pass-through leases. These agreements provide for periodic rental payments in amounts equal to the principal and interest payments due to project bondholders.

The Authority has assigned all rights to the rental payments to the trustees of the bondholders and the lessees have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority neither receives nor disburses funds. Although title to these properties rests with the Authority, bargain purchase options or other lease provisions eliminate any equity interest that would otherwise be retained. Deeds of trust collateralize outstanding bond obligations and title will revert to the lessee when the bonds are fully paid.

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets or liabilities. Outstanding conduit debt amounted to \$82,515,500 and \$83,757,500 at June 30, 2015 and 2014, respectively.

**Cash Equivalents**

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

**Restricted Cash and Equivalents**

At June 30, 2015 and 2014, restricted cash consisted of tenant security deposits of \$13,936 and \$11,994, respectively.

**Land Held for Resale**

Land is stated at acquisition cost plus improvements, not to exceed net realizable value. As land is sold, all costs associated with that land are charged to cost of land sold.

**Capital Assets**

Capital assets are capitalized at historical cost, if purchased. Contributed capital assets are recorded at their fair market value on the date of donation. The Authority utilizes the County's capitalization threshold of \$5,000 or more for recording equipment, land improvements and infrastructure and \$30,000 for buildings and building improvements, for assets with useful lives greater than one year. Capital assets are depreciated over their estimated useful lives using the straight-line, half-year convention method. The estimated useful lives are as follows: equipment (3-20), land improvements (15-20), buildings and improvements (10-50), and infrastructure (10-50).

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**2. DEPOSITS AND INVESTMENTS**

The Authority's cash and investments consisted of:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Bank deposits	\$ 395,798	\$ 192,433
Local Government Investment Pool (LGIP)	147,884	322,612
Waterside Capital Corporation Stock	334	501
	<u>\$ 544,016</u>	<u>\$ 515,546</u>
 <b><u>Reconciliation to Statement of Net Position:</u></b>		
Cash and equivalents	\$ 529,746	\$ 503,051
Restricted cash and equivalents	13,936	11,994
Investment in Waterside Capital Corporation	334	501
	<u>\$ 544,016</u>	<u>\$ 515,546</u>

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

Statutes authorize local governments and other public bodies 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 LGIP. LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GAAP with the portfolio securities valued by the amortized cost method. The fair value of the Authority's position in the LGIP is the same as the pool shares.

The Authority holds common stock equity in Waterside Capital Corporation ("WSCC"). In January 1998, WSCC changed its name from Eastern Virginia Small Business Investment Corporation to Waterside Capital Corporation and completed its initial public offering to raise additional equity to support growth strategy. The goal of WSCC is to provide equity financings for new ventures that will bring new jobs and additional revenue to the area.

By originally investing in WSCC prior to its' initial public offering, the Authority was able to provide capital through the WSCC to the new ventures, which they could not get from other lending institutions. The investment is stated at approximate fair value. The Authority does not intend to actively trade the investment and when approved by management, the investment will be sold.

**Credit Risk**

As of June 30, 2015 and 2014, the Authority's investment in the LGIP was rated AAAM by Standard & Poor's.

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**3. INVESTMENT IN DIRECT FINANCE LEASE**

In November 2012, the Authority executed a property lease for the Riverwalk Restaurant and an adjacent vacant space for another restaurant to a new private company. As part of the negotiations, the Authority also entered into an equipment lease. The lease is for \$200,000, with repayment over 120 months and with interest on the outstanding balance of 3.14% per annum. Repayments began on May 1, 2013.

The following schedule reflects the net investment in the direct financing lease:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Minimum lease payments to be received	\$ 205,860	\$ 232,140
Less unearned revenue	(49,193)	(55,473)
Net investment in direct finance lease	<u>\$ 156,667</u>	<u>\$ 176,667</u>
Classified as:		
Current	\$ 20,000	\$ 20,000
Noncurrent	<u>136,667</u>	<u>156,667</u>
Total	<u>\$ 156,667</u>	<u>\$ 176,667</u>

Minimum future rental receipts under the direct financing lease as of June 30, 2015 are:

2016	\$ 26,280
2017	26,280
2018	26,280
2019	26,280
2020	26,280
2021-2023	<u>74,460</u>
Total	<u>\$ 205,860</u>

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets being depreciated:				
Land improvements	\$ 9,604	\$ -	\$ -	\$ 9,604
Infrastructure	<u>850,913</u>	<u>-</u>	<u>-</u>	<u>850,913</u>
Total capital assets being depreciated	<u>860,517</u>	<u>-</u>	<u>-</u>	<u>860,517</u>
Less accumulated depreciation for:				
Land improvements	(1,600)	(640)	-	(2,240)
Infrastructure	<u>(70,752)</u>	<u>(28,301)</u>	<u>-</u>	<u>(99,053)</u>
Total accumulated depreciation	<u>(72,352)</u>	<u>(28,941)</u>	<u>-</u>	<u>(101,293)</u>
Total capital assets being depreciated, net	<u>\$ 788,165</u>	<u>\$ (28,941)</u>	<u>\$ -</u>	<u>\$ 759,224</u>

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets being depreciated:				
Land improvements	\$ 9,604	\$ -	\$ -	\$ 9,604
Infrastructure	<u>850,913</u>	<u>-</u>	<u>-</u>	<u>850,913</u>
Total capital assets being depreciated	<u>860,517</u>	<u>-</u>	<u>-</u>	<u>860,517</u>
Less accumulated depreciation for:				
Land improvements	(960)	(640)	-	(1,600)
Infrastructure	<u>(42,451)</u>	<u>(28,301)</u>	<u>-</u>	<u>(70,752)</u>
Total accumulated depreciation	<u>(43,411)</u>	<u>(28,941)</u>	<u>-</u>	<u>(72,352)</u>
Total capital assets being depreciated, net	<u>\$ 817,106</u>	<u>\$ (28,941)</u>	<u>\$ -</u>	<u>\$ 788,165</u>

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**5. NOTE PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY**

The Authority has one remaining note payable to the County. Details on the loan can be found in note 3, Investment in Direct Finance Lease.

At June 30, 2015 and 2014, the outstanding principal balance on the Note Payable, Equipment was \$156,667 and \$176,667 respectively.

The following is a summary of changes in notes payable to the County:

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
\$ 176,667	\$ -	\$ (20,000)	\$ 156,667	\$ 20,000

<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
\$ 196,667	\$ -	\$ (20,000)	\$ 176,667	\$ 20,000

The following is a summary of the repayment schedules for fiscal years:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 20,000	\$ 6,280
2017	20,000	6,280
2018	20,000	6,280
2019	20,000	6,280
2020	20,000	6,280
2021-2023	56,667	17,793
Total	<u>\$ 156,667</u>	<u>\$ 49,193</u>

**6. TRANSACTIONS WITH PRIMARY GOVERNMENT - YORK COUNTY**

Intergovernmental revenue received from York County consisted of the following:

<u>Purpose</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating contributions	\$ 46,250	\$ 48,250
Capital contributions	-	816,599
Due to Primary Government - York County	5,509	25,101
Total	<u>\$ 51,759</u>	<u>\$ 889,950</u>

In fiscal year 2014, York County made a payment of \$716,599, to assist with the purchase of additional land, which will be held for resale. Further, the County contributed \$100,000 to the Authority for Economic Development incentives during fiscal year 2014.

In fiscal year 2014 and 2015 respectively, \$25,101 and \$5,509 was due to the County, which was primarily due to the Riverwalk Landing Lease agreement.



**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Notes to Basic Financial Statements  
June 30, 2015 and 2014

**7. WATERFRONT RENTAL INCOME**

In March 2003, the Authority executed a lease agreement with the County for the Yorktown Waterfront property for \$1 per year with a term of 30 years. Under the terms of the agreement, the Authority revitalized the property to include a restaurant, office and retail space, parking facilities, travel ways, landscaping and other improvements. Upon completion of the Yorktown Revitalization Project, there were 11 facilities for lease within the development, referred to as Riverwalk Landing. The Authority executed subleases for the facilities with annual rents of \$218,097 and \$219,871, respectively, for the fiscal years ended June 30, 2015 and 2014. Section 4 of the lease provides that the Authority will remit all rents and profits realized from any such sublease to the County to be managed and made available for expenditures for maintenance of the property and redemption of the bonds issued for the development.

## **SUPPLEMENTAL INFORMATION**

**ECONOMIC DEVELOPMENT AUTHORITY  
A COMPONENT UNIT OF YORK COUNTY, VIRGINIA**

Schedules of Conduit Debt Outstanding

<u>Issue Name</u>	<u>Facility Description</u>	<u>Date of Original Issue</u>	<u>Trustee</u>	<u>Bonds Aggregate Amount at Issue</u>	<u>Aggregate Outstanding Payable at 6/30/2015</u>	<u>Aggregate Outstanding Payable at 6/30/2014</u>
Pollution Control Revenue Bonds (VEPCO), Series 2009A	Pollution control equipment and facility related to the conversion of the Yorktown Power Station	5/19/2009	Bank of New York Mellon	\$ 70,000,000	70,000,000	70,000,000
Educational Facilities Revenue Bonds, Series 2009	York River Academy Mixed Use Project	7/1/2009	Towne Bank	\$ 3,000,000	1,137,500	1,287,500
Qualified Non-Profit Revenue and Refunding Bond, Series 2013	Colonial Community Services, Inc. Project	7/19/2013	Bank of Lancaster	\$ 2,750,000	2,453,000	2,605,000
Lease Revenue Refunding Bonds (County of York, Virginia), Series 2014	Yorktown Waterfront Revitalization project; communication system improvements; fire and rescue equipment	2/27/2014	Wells Fargo Bank	\$ 9,865,000	<u>8,925,000</u>	<u>9,865,000</u>
<b>Total</b>					<u><b>\$ 82,515,500</b></u>	<u><b>\$ 83,757,500</b></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***

Authority Members and Officials  
Economic Development Authority of York County, 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 York County, Virginia, (the "Authority"), as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated November 25, 2015.

**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.

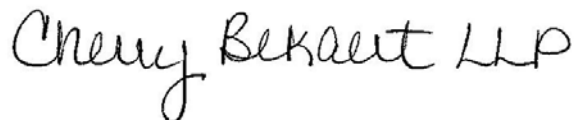
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 for Audits of Authorities, Boards, and Commissions*.

**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 Authority'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.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia  
November 25, 2015