

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

FINANCIAL REPORT

As of and for the Fiscal Year Ended June 30, 2025

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

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INTRODUCTORY SECTION

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Directory of Principal Officials
June 30, 2025**

BOARD MEMBERS

Wesley S. King, Chairman
Cypress Borough Representative

William Webb III, Vice-Chairman
Suffolk Borough Representative

B.J. Willie, Secretary -Treasurer
At-Large Representative

Janet Days, Deputy Secretary-Treasurer
Economic Development Director

Leslie Martin
Sleepy Hole Borough Representative

Justin Nelson
Holy Neck Borough Representative

Andrea Anthony Harper
Whaleyville Borough Representative

Karima Lockwood
Chuckatuck Borough Representative

Simon Stevenson
Nansemond Borough Representative

CITY COUNCIL LIAISON

Tim Johnson
Holy Neck Borough Representative

CHIEF LEGAL COUNCIL

Darius Davenport
Crenshaw, Ware & Martin



P.O. Box 1858
Suffolk, Virginia 23439
Telephone 757-514-4040
Facsimile 757-514-4054
www.YesSuffolk.com

Board Members
Economic Development Authority of the City of Suffolk

Dear Board Members,

The economic development initiatives for the City of Suffolk's fiscal year July 1, 2024 through June 30, 2025 were supported by the EDA's contributions. Some of the highlights and actions taken by the EDA included:

- Approved an Economic Development Investment Program (EDIP) Grant for Blue Point Investment Group, LLC, a Virginia Limited Liability Company
- Approved a Small Business Improvement Program (SBIP) grant for Conner's Deli & Catering, a locally owned restaurant and catering business
- Approved a Small Business Improvement Program (SBIP) grant for Sojourn Fermentory LLC, for interior buildout
- Approved a Commonwealth Development Opportunity Fund to Solenis LLC for the expansion of their building, purchase equipment and improve and upgrade their production facility
- Approved an Economic Development Investment Program (EDIP) Grant for MS International, Westport VANO, LLC, a distribution facility for flooring, countertops, wall tile and hardscaping products
- Approved a resolution to convey EDA owned property to Hampton Roads Moving & Storage in Northgate Commerce Park
- Approved a Small Business Improvement Program (SBIP) grant for White's Multi-Purpose Center, a community facility offering versatile space for events, meetings, and recreational activities
- Approved a Small Business Improvement Program (SBIP) grant for Holland's Produce, Inc., a Downtown business offering country-cooked meals, and full-service catering
- Approved an Economic Development Investment Program (EDIP) Grant to Golden Dreams, LLC, for the renovation of ten (10) buildings to provide 90 additional apartment units in Downtown Suffolk

- Approved an Economic Development Investment Program (EDIP) Grant to Automatic Coating Limited (ACL), a high-tech industrial facility specializing in powder, liquid and pipeline coating services

The work of the EDA continues to be instrumental in advancing economic development efforts throughout the City of Suffolk. Thank you for your commitment, support and contributions to the City of Suffolk.

Sincerely,



Janet Days
Deputy Secretary/Treasurer
Suffolk Economic Development Authority



Stephanie Wells
Director of Finance
City of Suffolk

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

Independent Auditor's Report

Report of Independent Auditor

To the Board Members
Economic Development Authority City of Suffolk, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of the City of Suffolk, Virginia (the "Authority"), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2025, 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, 2025, and the changes in financial position and its cash flows 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 the 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* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 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.

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2025, 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 11, 2025

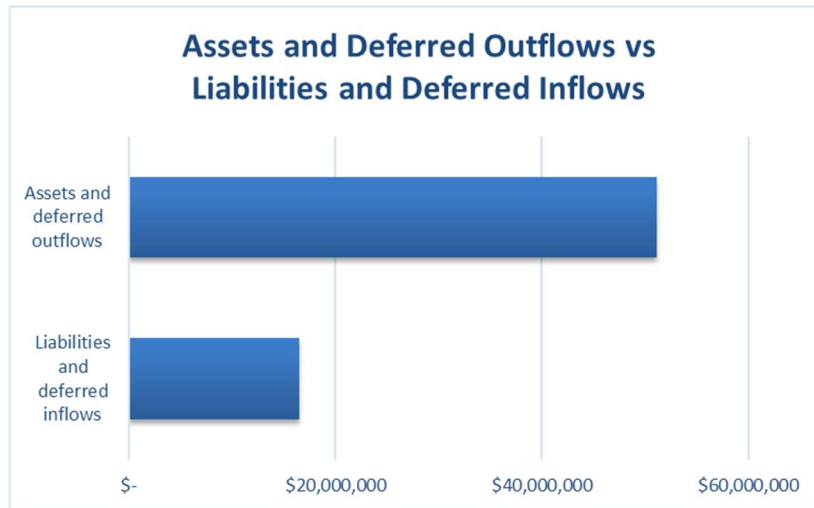
**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management’s Discussion and Analysis

This section of the Economic Development Authority of the City of Suffolk, Virginia’s (the “Authority”) annual financial report presents a discussion and analysis of the Authority’s financial performance as of and for the fiscal year ended June 30, 2025. Please read it in conjunction with the Authority’s Letter of Transmittal in the Introductory Section and the financial statements following this section.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$34,637,589. Of this amount, \$13,191,738 represents unrestricted net position, which may be used to meet the Authority’s ongoing obligations.



- Net position increased from fiscal year 2024 to fiscal year 2025 by \$1,570,027 or 4.75%. This is primarily due to miscellaneous revenues related to an easement and a transmission recoverable license payment and an increase in contributions from the City.
- The operating income for fiscal year 2025 was \$1,270,639.
- At June 30, 2025 the Authority does not have any construction in progress.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority’s financial statements.

The *Statement of Net Position* presents information on all Authority assets, deferred outflows of resources, liabilities, and deferred inflows of resources, if any, with the difference between those 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.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management’s Discussion and Analysis

Overview of the Financial Statements (Continued)

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.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, capital and related financing activities and investing activities.

Notes to the financial statements are an integral part of the statements and provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes should be read in conjunction with the financial statements and the Management’s Discussion and Analysis.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority’s financial position. At the close of the most recent fiscal year, the Authority’s assets and deferred outflows exceeded liabilities and deferred inflows by \$34,637,589. The table below provides a summary of the Authority’s net position as of June 30, 2025 and June 30, 2024.

**Statement of Net Position
(in millions)**

	2025	2024
Current assets	\$ 14.2	\$ 12.7
Non current assets	36.9	39.1
Total assets	51.1	51.8
Current liabilities	0.3	0.3
Long-term liabilities	0.8	2.0
Total liabilities	1.1	2.3
Deferred inflows	15.3	16.4
Total liabilities and deferred inflows	16.4	18.7
Net Position:		
Net investment in capital assets	19.3	19.0
Restricted	2.2	2.3
Unrestricted	13.2	11.7
Total net position	\$ 34.7	\$ 33.1

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management’s Discussion and Analysis

Financial Analysis (Continued)

A large portion of the Authority’s net position (38.09%) represents unrestricted net position of \$13,191,738, which may be used to meet the Authority’s ongoing obligations.

The Authority’s capital assets represent land and facility development. The Authority is leasing the majority of these capital assets to the City of Suffolk, Virginia’s (“City”) Division of Social Services and the Virginia Department of Health for an office building and to a hotel management company to operate and maintain the Hilton Garden Inn and Suffolk Conference Center.

The table below provides a summary of the changes in net position for the years ended June 30, 2025 and June 30, 2024.

**Statement of Revenues, Expenses and Changes in Net Position
(in millions)**

	2025	2024
Operating Revenues	\$ 4.1	\$ 2.8
Operating Expenses	2.8	2.5
Operating Income	1.3	0.3
Nonoperating Revenues	0.3	1.1
Change in Net Position	1.6	1.4
Net Position beginning of year	33.1	31.7
Net Position end of year	\$ 34.7	\$ 33.1

A component of operating expenses for the Authority are payments to various businesses under the Economic Development Investment Fund Program (“EDIP”), façade grants for business and small business development grants. These programs combined accounted for 49.99% of the total operating expenses. The EDIP provides incentives to businesses that qualify for the program with the intent of fostering the Authority’s mission of economic development within the City.

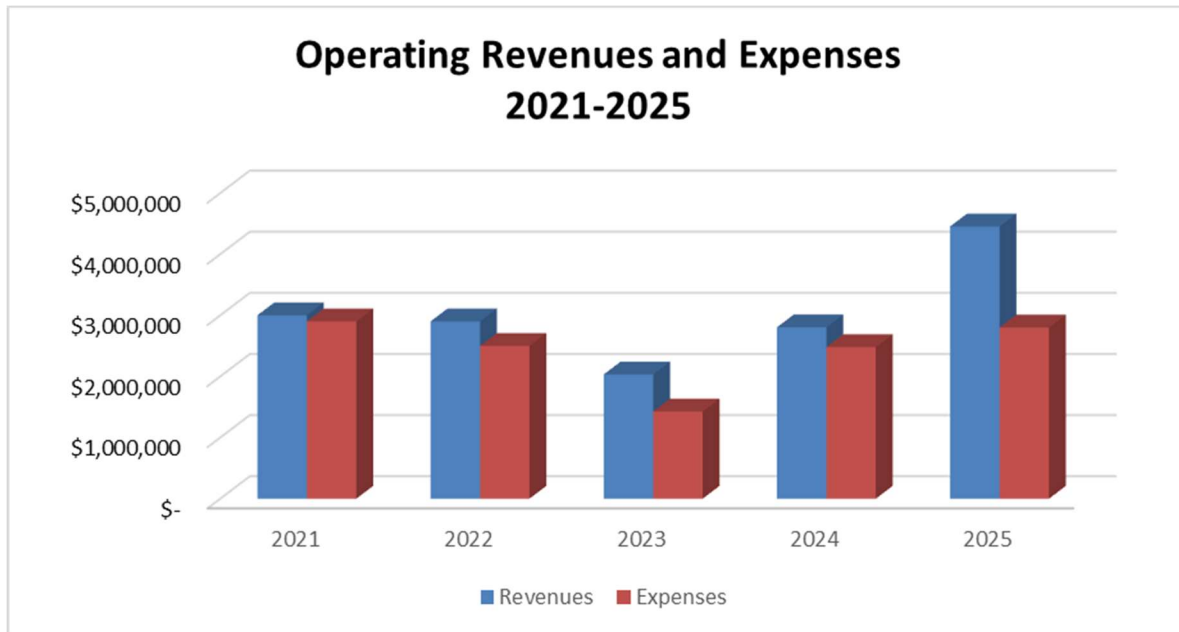
The other main component of operating expenses for the Authority is the recognition of depreciation expense on the Authority’s buildings, which totaled \$919,465 or 32.85% of total operating expenses in 2025.

Included within the calculation of the total net non-operating expenses is interest paid on the debt related to the Health and Human Services building during fiscal year 2025. Interest expense increased from the prior year for a total of \$29,065.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management’s Discussion and Analysis

Financial Analysis (Continued)



Capital Assets and Debt Administration

The Authority’s investment in capital assets totals \$20,116,039 net of accumulated depreciation. This investment in capital assets includes the Hilton Garden Inn and Suffolk Conference Center and the Health and Human Services building.

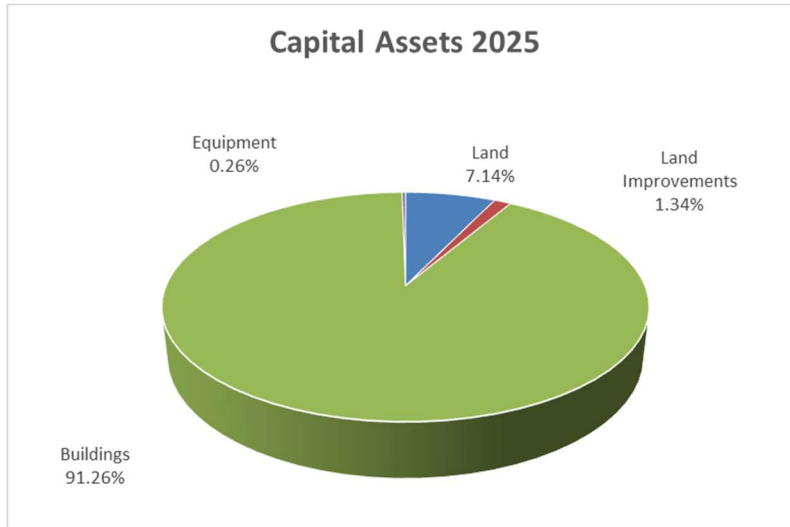
Capital Assets (Net of Depreciation)

	2025	2024
Land	\$ 1,435,662	\$ 1,435,662
Land Improvements	269,114	345,572
Buildings	18,359,126	19,149,997
Equipment / Right to Use Assets - Equipment	52,137	104,273
Total	<u>\$ 20,116,039</u>	<u>\$ 21,035,504</u>

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management’s Discussion and Analysis

Capital Assets and Debt Administration (Continued)



Additional information on the Authority’s capital assets can be found in Note 4.

At the end of the current year, the Authority had outstanding debt in the amount of \$842,773.

Outstanding Debt		
	2025	2024
Lease Revenue Bond	\$ 790,000	\$ 1,916,000
Equipment Lease	52,773	105,226
TOTAL	\$ 842,773	\$ 2,021,226

Additional information on the Authority’s debt can be found in Note 6.

Economic Factors

The Authority’s purpose is to promote and foster economic activity in the City. Factors that affect the Authority’s ability to do so include interest rates, unemployment, and continued contributions from the City. Over the last several years, the Authority has seen positive trends in these areas effecting economic conditions.

The Authority had a positive year promoting economic activity in the City. Through the use of Local EDIP, the Authority assisted three companies in expanding and locating within the City, thereby creating investment in the City and employment. These companies include Lowe's Home Center LLC, Westport Vano LLC, and Blue Point Investment Group. Additionally, the Authority assisted several businesses with facade grants through the facade program, including The Elliot Apartments, Jason D Weeks & Redwood Smokeshack. Lastly, through a small business improvement grant, the Authority also assisted small businesses such as Darla's Botique, the Sojourn Fermentary, Baron's Pub, and Redwood Smokeshack.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning this report or requests for additional information should be directed to the Authority's Deputy Secretary/Treasurer, Post Office Box 1858, Suffolk, Virginia 23439.

Basic Financial Statements

EXHIBIT 1

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
A Component Unit of the City of Suffolk, Virginia
Statement of Net Position
June 30, 2025**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 4,817,016
Accounts receivable	155,072
Land and improvements held for sale	8,146,980
Lease receivables	1,130,067
Total current assets	<u>14,249,135</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	2,165,992
Lease receivable, non-current	14,571,780
Capital assets:	
Assets not being depreciated	1,435,662
Assets being depreciated, net	18,680,377
Total noncurrent assets	<u>36,853,811</u>
Total assets	<u>51,102,946</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	9,424
Total deferred outflows of resources	<u>9,424</u>

LIABILITIES

Current liabilities:	
Accounts payable	45,814
Due to the Primary Government	239,255
Deposits	7,500
Accrued interest payable, restricted	2,831
Total current liabilities	<u>295,400</u>
Noncurrent liabilities:	
Due within one year	842,773
Total noncurrent liabilities	<u>842,773</u>
Total liabilities	<u>1,138,173</u>

DEFERRED INFLOWS OF RESOURCES

Leases	15,336,608
Total deferred inflows of resources	<u>15,336,608</u>

NET POSITION

Net investment in capital assets	19,282,690
Restricted	2,163,161
Unrestricted	13,191,738
Total net position	<u>\$ 34,637,589</u>

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

EXHIBIT 2

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
A Component Unit of the City of Suffolk, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025**

OPERATING REVENUES

Leases revenues	\$ 1,716,127
Contributions from City	1,365,000
Public facilities rebates	130,091
Miscellaneous	858,800
Total operating revenues	<u>4,070,018</u>

OPERATING EXPENSES

Economic development incentives	1,300,000
Small business CDL program	49,300
Façade program	50,000
Advertising and special events	5,000
Property maintenance	393,536
Professional fees	76,156
Depreciation and amortization	919,465
Miscellaneous	5,922
Total operating expenses	<u>2,799,379</u>
Operating income	<u>1,270,639</u>

NONOPERATING REVENUES (EXPENSES)

Bond maintenance fees	147,438
Interest income	51,032
Lease interest income	235,615
Unrealized loss on land available for sale	(54,300)
Interest expense	(29,065)
Contributions to local organizations	(51,332)
Total nonoperating expenses, net	<u>299,388</u>

Changes in net position	1,570,027
Net position beginning at July 1	<u>33,067,562</u>
Net position ending at June 30	<u>\$ 34,637,589</u>

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

EXHIBIT 3

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
A Component Unit of the City of Suffolk, Virginia
Statement of Cash Flows
For the Year Ended June 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from lessees	\$ 1,634,789
Primary government contribution	1,365,000
Other operating receipts	988,891
Economic incentive payments	(1,399,300)
Payments to suppliers for goods and services	(434,800)
Net cash provided by operating activities	<u>2,154,580</u>

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:

Contributions to local organizations	<u>(51,332)</u>
Net cash used in non-capital and related financing activities	<u>(51,332)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on debt	(1,178,453)
Interest and other charges paid on debt	<u>(16,944)</u>
Net cash used in capital and related financing activities	<u>(1,195,397)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Bond maintenance fees	147,438
Interest earned and lease payments received	<u>286,647</u>
Net cash provided by investing activities	<u>434,085</u>

Net change in cash and cash equivalents	1,341,936
Cash and cash equivalents - beginning	<u>5,641,072</u>
Cash and cash equivalents - ending	<u>\$ 6,983,008</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	<u>\$ 1,270,639</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	919,465
Increase in accounts receivable	(7,884)
Decrease in lease receivables	1,049,059
Increase in accounts payable	45,814
Decrease in deferred inflows - leases	<u>(1,122,513)</u>
Total adjustments	<u>883,941</u>
Net cash provided by operating activities	<u>\$ 2,154,580</u>

Reconciliation of cash and investments:

Cash and investments:	
Unrestricted	\$ 4,817,016
Restricted	<u>2,165,992</u>
Total cash and cash equivalents	<u>\$ 6,983,008</u>

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

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Economic Development Authority of the City of Suffolk, Virginia (“Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City of Suffolk, Virginia (“City”) in 1969, pursuant to the provisions of the Economic Development and Revenue Bond Act of the Commonwealth of Virginia (Chapter 33, Section 15.1-1373 *et seq.*, of the *Code of Virginia* (1950) as amended). The Authority is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in within the City.

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

For financial reporting purposes, the Authority is a discretely presented component unit of the City mainly because its members are appointed by the City Council and the City provides significant funding to the Authority; thus, the City is financially accountable for the Authority.

Measurement focus and basis of accounting:

The accompanying financial statements report the financial position and results of operations of the Authority in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Because the Authority is a political subdivision of the Commonwealth of Virginia, the preparation of these financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (“GASB”). The Authority’s financial statements are prepared on an enterprise fund basis and present operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

The Authority’s operations are accounted for on an economic resources measurement focus wherein all assets and liabilities, whether current or noncurrent, are included in its Statement of Net Position. Enterprise fund operating statement presents increases (revenues) and decreases (expenses) in net position utilizing the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus and basis of accounting (continued):

The Authority distinguishes *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 Authority's principal ongoing operations. The principal operating revenues of the Authority are sale of property held for resale, bond maintenance fees, receipts for pass-through grants to industries, contributions received from the primary government and lease revenue. Operating expenses include contributions to industries, administrative expenses, return of hotel proceeds to the City, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and cash equivalents

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

Land and improvements held for sale:

The cost of land (including acquisition costs) is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Improvement and amenity costs, if not attributable to a specific lot, are allocated based on acreage. Land or improvements donated to the Authority are recorded at acquisition value on the date of donation. Items held for sale are valued at the lower of cost or market.

Leases receivable:

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The lease terms do not contain any provisions for variable lease payments.

A deferred inflows of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are recognized as revenue on a straight-line basis over the term of the lease.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets:

Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	20 years
Equipment	10 years

The right to use asset is initially measured as an amount equal to the initial measurement of the related lease liability. The right to use asset is amortized on a straight-line basis over the life of the related lease.

Economic development incentives payable:

Performance grant payables are recorded when, in management's opinion, it is unlikely that the grantee will fail to meet the performance criteria. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

Deferred outflows of resources:

Deferred outflows of resources represent a consumption of net assets that applies to a future period and will be recognized as an expense or expenditure until then. The Authority's deferred outflow of resources consists of the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. The deferred outflow is being amortized over the remaining life of the refunded debt.

Deferred inflows of resources:

Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as revenue until then. The Authority has reported a deferred inflows of resources related to leasing arrangements receivable.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 2. Cash and Cash Equivalents

Deposits:

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

Cash and cash equivalents presented as restricted is restricted for debt service and eligible maintenance projects, as defined by the related debt and lease agreements.

Note 3. Land and Improvements Held for Sale

Land and improvements held for sale consists of the following:

	Acreage	Carrying Value
Wilroy Industrial Park	5.48	\$ 38,370
Suburban Drive	29.40	240,006
Suffolk Industrial Park	74.77	1,189,878
TCC Site	21.16	2,384,400
Northgate Commerce Park	37.37	1,991,994
1900 North Main (former Obici site)	4.77	2,302,332
	172.95	\$ 8,146,980

Certain proceeds from the sale of these assets are required to be paid to the City (see Note 5).

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 4. Capital Assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not-depreciated:				
Land	\$ 1,435,662	\$ -	\$ -	\$ 1,435,662
Capital assets, depreciated:				
Land Improvements	1,734,061	-	-	1,734,061
Buildings	16,692,717	-	-	16,692,717
Health and Human Services Center	14,942,123	-	-	14,942,123
Equipment	265,390	-	-	265,390
Right to Use Assets - Equipment	260,681	-	-	260,681
Total capital asset, depreciated	<u>33,894,972</u>	<u>-</u>	<u>-</u>	<u>33,894,972</u>
Less accumulated depreciation/amortization for:				
Land Improvements	1,388,489	76,458	-	1,464,947
Buildings	7,004,730	417,318	-	7,422,048
Health and Human Services Center	5,480,113	373,553	-	5,853,666
Equipment	265,390	-	-	265,390
Right to Use Assets - Equipment	156,408	52,136	-	208,544
Total accumulated depreciation/amortization	<u>14,295,130</u>	<u>919,465</u>	<u>-</u>	<u>15,214,595</u>
Total capital assets, depreciated, net	<u>19,599,842</u>	<u>(919,465)</u>	<u>-</u>	<u>18,680,377</u>
Governmental activities capital assets, net	<u>\$ 21,035,504</u>	<u>\$ (919,465)</u>	<u>\$ -</u>	<u>\$ 20,116,039</u>

Note 5. Due To Primary Government and Related Party Transactions

Due to Primary Government consists of \$239,255 borrowed from the City through a long-term advance. These amounts will be repaid upon the sale of the Suburban Drive property.

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

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term debt for the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Lease Revenue Bond	\$ 1,916,000	\$ -	\$ 1,126,000	\$ 790,000	\$ 790,000
Lease Payable (note 8)	105,226	-	52,453	52,773	52,773
	<u>\$ 2,021,226</u>	<u>\$ -</u>	<u>\$ 1,178,453</u>	<u>\$ 842,773</u>	<u>\$ 842,773</u>

The annual requirements to amortize long-term debt and related interest are as follows:

<u>Fiscal Year</u>	<u>Lease Revenue Bonds</u>		<u>Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 790,000	\$ 6,794	\$ 52,773	\$ 147
	<u>\$ 790,000</u>	<u>\$ 6,794</u>	<u>\$ 52,773</u>	<u>\$ 147</u>

A \$15,750,000 lease revenue bond was issued on May 1, 2008 for the construction of the Health and Human Services building. The 2008 lease revenue bond was refunded by the issuance on December 18, 2014 of an \$11,860,000 refunding lease revenue bond. The 2014 bond has a maturity date of February 1, 2026 with interest payable semi-annually of 2.65%. The 2014 bond was refunded by the issuance on November 5, 2020 of an \$6,289,000 refunding lease revenue bond. The 2020 bond has a maturity date of February 1, 2026 with interest payable semi-annual of 0.86%. The difference in the carrying value of the old bonds and the value of the new debt is shown as a deferred charge on refunding and will be recognized as part of interest expense over the life of the old debt.

The Authority has entered into an agreement to lease certain equipment. This agreement qualifies as other than short-term leases under GAAP and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreement was entered into as of July 1, 2021, to lease a generator and requires 60 monthly payments of \$4,410. There are no variable payment components of this lease. The Authority has recorded a right to use asset with a net book value of \$52,137 at June 30, 2025.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 7. Conduit Debt Transactions

One activity of the Authority is to issue conduit bonds on behalf of organizations in the community. These bonds are issued to assist these organizations with construction of facilities. The Authority currently has four conduit debt issuances outstanding. The bonds do not represent an indebtedness of the Authority. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Furthermore, in the event of default by the lessee, the holders of the bonds have no recourse against the Authority, but must look to the property and lessee for indemnity. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The Authority charges a maintenance fee on three of the bonds for administering this program.

As of June 30, 2025, the aggregate principal amount payable of these conduit revenue bonds outstanding was \$140,750,000.

Note 8. Leases

The discount rate for all leases (both lessor and lessee) is based on the average of the City's Municipal Market Data (MMD) rate. The discount rates assigned to each lease is the average of MMD rate from July 1, 2021 to February 1, 2022 based on the number of years of the lease.

On August 28, 2003, the Authority entered into a fifty-year lease agreement with a private company to lease the Suffolk Hilton Garden Inn hotel and the Suffolk Conference Center with annual rent payments of \$5,000 each. The lessee shall have the right and option to extend the term for four consecutive periods of ten years each followed by one period of nine years. The lease calls for additional rental payments based on the hotel's balance of net cash flows. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

On May 1, 2009, the Authority entered into a lease agreement with the Commonwealth of Virginia, Department of General Services for use of the Health and Human Service Building. The lease calls for monthly payments of \$34,379. The lease term is scheduled to expire after 18 years, on April 30, 2027. Additional rental terms include additional rent for the tenant's pro rata share of annual operating expenses. The agreement also includes a settle-up between the Authority and the lessee for any shortfalls in annual periodic operating expense reimbursements, when compared to actual costs. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 8. Leases (Continued)

On June 1, 2009, the Authority amended the original lease agreement dated September 1, 2008 between the City and the Virginia Department of Social Services for the Health and Human Services building. The amended lease calls for annual lease payments of \$891,456 from the Virginia Department of Social Services and \$412,548 from the City. This is a 20-year lease with a termination date of May 31, 2029. Additional rental terms include \$50,000 a year for a repair and replacement reserve fund until the fund reaches \$500,000 and additional rent for the tenant's pro rata share of annual operating expenses. The repair and replacement reserve is included in restricted cash and cash equivalents and restricted net position. The agreement also includes a settle-up between the Authority and the lessees for any shortfalls in annual periodic operating expense reimbursements, when compared to actual costs. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

On August 30, 2022, the Authority entered into a twenty-year lease agreement with a Shenandoah Cable Television, LLC to lease a small portion of land owned by the Authority with annual rent payments of \$4,800. The agreement will automatically renew for 2 additional terms of 5 years each. These renewals have been included in the initial calculation of the lease. The lease receivable is measured as the present value of the future lease payments expected to be received during the lease term.

The future lease revenue and interest as of June 30, 2025, are as follows:

<u>Fiscal Year:</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,130,067	\$ 222,837
2027	1,041,068	213,117
2028	708,862	198,118
2029	719,656	187,490
2030	730,619	176,697
2031 - 2035	3,823,700	715,627
2036 - 2040	4,125,015	419,417
2041 - 2045	3,021,305	117,572
2046 - 2050	67,361	32,568
2051 - 2055	49,687	24,272
2056 - 2060	28,672	21,328
2061 - 2065	31,029	18,972
2066 - 2070	33,580	16,421
2071 - 2075	36,341	13,660
2076 - 2080	39,329	10,672
2081 - 2085	42,563	7,437
2086 - 2090	46,063	3,938
2091 - 2093	26,930	571
TOTAL	<u>\$ 15,701,847</u>	<u>\$ 2,400,714</u>

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF SUFFOLK, VIRGINIA
(A Component Unit of the City of Suffolk, Virginia)**

**Notes to Financial Statements
June 30, 2025**

Note 9. Commitments and Contingencies

As of June 30, 2025, five Economic Development Investment Fund program agreements remain in place with outstanding commitments for future company investment and corresponding payment responsibilities from the Authority approximating \$300,000.

Note 10. Upcoming Accounting Standards

The GASB has issued the following statements, which are not yet effective.

GASB Statement No. 103, *Financial Reporting Model Improvements*, the primary objective of which 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 is effective for the fiscal year ending June 30, 2026.

Management has not yet evaluated the effects, if any, of adopting these standards and implementation guides, but does not expect them to have a material impact on the financial statements.

Note 11. Litigation

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

OTHER INFORMATION

The following tables contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time. They are derived from audited financial reports for the relevant year.

Table 1

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Revenues										
Hotel Revenues										
Hotel Lease Revenues	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 12,689	\$ 5,986	\$ 5,986
Public Facility Rebate	100,113	126,972	98,376	93,011	80,210	68,380	109,661	98,222	125,014	130,091
HHSB Revenues										
Health and Human Services Lease	1,608,481	1,609,310	1,586,087	1,602,749	1,661,167	1,635,269	1,665,948	1,757,001	1,710,224	1,705,531
Other Lease Revenues										
NCP Lease Revenues	1,100	1,100	1,100	1,100	1,100	1,100	1,100	-	-	-
Shenandoah Site Lease	-	-	-	-	-	-	-	7,418	4,611	4,610
55 Acre Site Lease	-	-	4,000	-	-	-	-	-	-	-
Obici Site Lease	-	-	9,000	241,000	-	-	-	-	-	-
Other Revenues										
Gain on Sale of Land and Easements	-	-	-	-	-	-	-	-	-	-
Contributions from Municipality (EDIP)	1,717,079	1,600,000	486,808	346,738	1,576,250	1,245,716	962,082	39,174	957,073	1,365,000
Contributions from the State	-	1,000,000	-	45,000	-	-	-	-	-	-
Miscellaneous	650	441	-	307,111	696	298,497	11,991	4,010	-	858,800
Total Operating Revenues	3,437,423	4,347,823	2,195,371	2,646,709	3,329,423	3,258,962	2,760,782	1,918,514	2,802,908	4,070,018
Operating Expenses										
Hotel Expenses										
Property Maintenance	-	-	-	-	118,315	97,000	-	1,460	68,634	1,387
Depreciation and Amortization	414,399	414,399	414,399	414,399	414,399	414,400	414,399	414,399	438,935	473,286
HHSB Expenses										
Professional Fees	-	-	-	-	-	37,500	-	4,540	-	-
Property Maintenance	293,778	269,342	295,881	308,814	355,402	403,091	422,935	312,558	358,046	203,818
Depreciation and Amortization	400,092	394,042	394,042	394,043	394,042	394,042	425,689	425,689	425,689	425,689
Other Expenses										
Economic Development Incentives	1,706,750	2,600,000	486,808	165,000	1,561,738	400,293	962,082	26,880	940,344	1,300,000
Technology Zone Grant	10,329	-	-	-	-	-	-	-	-	-
Small Business CDL	-	-	-	14,846	30,000	45,000	20,000	32,902	28,000	49,300
Small Business COVID assistance	-	-	-	-	190,500	1,045,423	-	-	-	-
Façade Program	27,111	30,000	26,420	20,000	40,077	265,340	40,000	15,163	10,000	50,000
Advertising and special events	33,095	13,281	13,115	21,828	24,965	2,693	11,637	6,797	13,509	5,000
Contribution to Local Organizations	7,000	7,000	7,000	-	7,000	7,000	7,000	-	-	-
Contribution to City	-	6,932	-	-	-	-	-	-	-	-
Professional Fees	10,121	650	33,487	56,921	21,604	16,910	15,560	54,130	111,884	76,156
Property Maintenance	125,978	32,053	40,819	21,655	100,288	106,478	194,455	104,891	59,243	188,331
Depreciation and Amortization	20,490	26,539	26,539	15,481	-	-	20,489	20,489	20,490	20,490
Miscellaneous	7,180	7,048	13,682	6,502	5,473	4,305	5,205	7,368	5,271	5,922
Total Operating Expenses	3,056,323	3,801,286	1,752,192	1,439,489	3,263,803	3,239,475	2,539,451	1,427,266	2,480,045	2,799,379
Operating income	381,100	546,537	443,179	1,207,220	65,620	19,487	221,331	491,248	322,863	1,270,639
Non-Operating Revenues (Expenses)										
Interest Income	7,876	1,671	8,940	9,883	13,444	10,826	8,282	52,325	50,918	51,032
Lease Interest Income	-	-	-	-	-	-	-	-	247,963	235,615
Amortization of Bond Issue Costs	-	(32,370)	(32,370)	(32,370)	(32,370)	(45,418)	(16,156)	(16,156)	(16,156)	(16,156)
Interest Expenses	(312,398)	(256,034)	(231,378)	(206,059)	(180,079)	(50,709)	(42,538)	(32,737)	(22,857)	(12,909)
Contributions to local organizations	-	-	-	-	-	-	-	-	-	(51,332)
Bond Maintenance Fees	143,909	144,767	148,744	146,654	142,961	27,550	236,374	113,720	147,188	147,438
Loss on sale of land held for resale	(1,962,169)	-	-	-	(499,620)	-	-	-	-	-
Unrealized loss on Land held for Sale	(537,765)	(1,174,383)	-	-	-	(454,574)	-	-	-	-
Unrealized gain on Land held for Sale	-	-	-	-	537,764	-	-	648,110	643,594	(54,300)
Total Non-Operating Expenses, net	(2,660,547)	(1,316,349)	(106,064)	(81,892)	(17,900)	(512,325)	185,962	765,262	1,050,650	299,388
Change in Net Position	\$ (2,279,447)	\$ (769,812)	\$ 337,115	\$ 1,125,328	\$ 47,720	\$ (492,838)	\$ 407,293	\$ 1,256,510	\$ 1,373,513	\$ 1,570,027

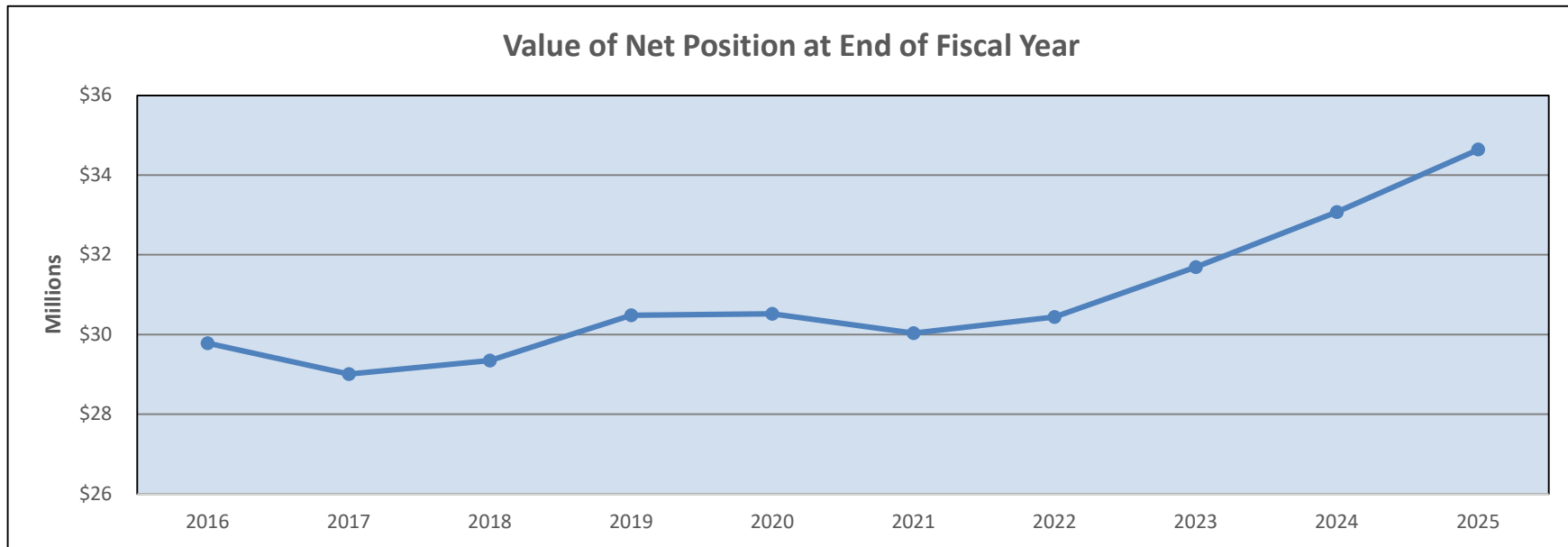
Source: EDA financial statements for respective year

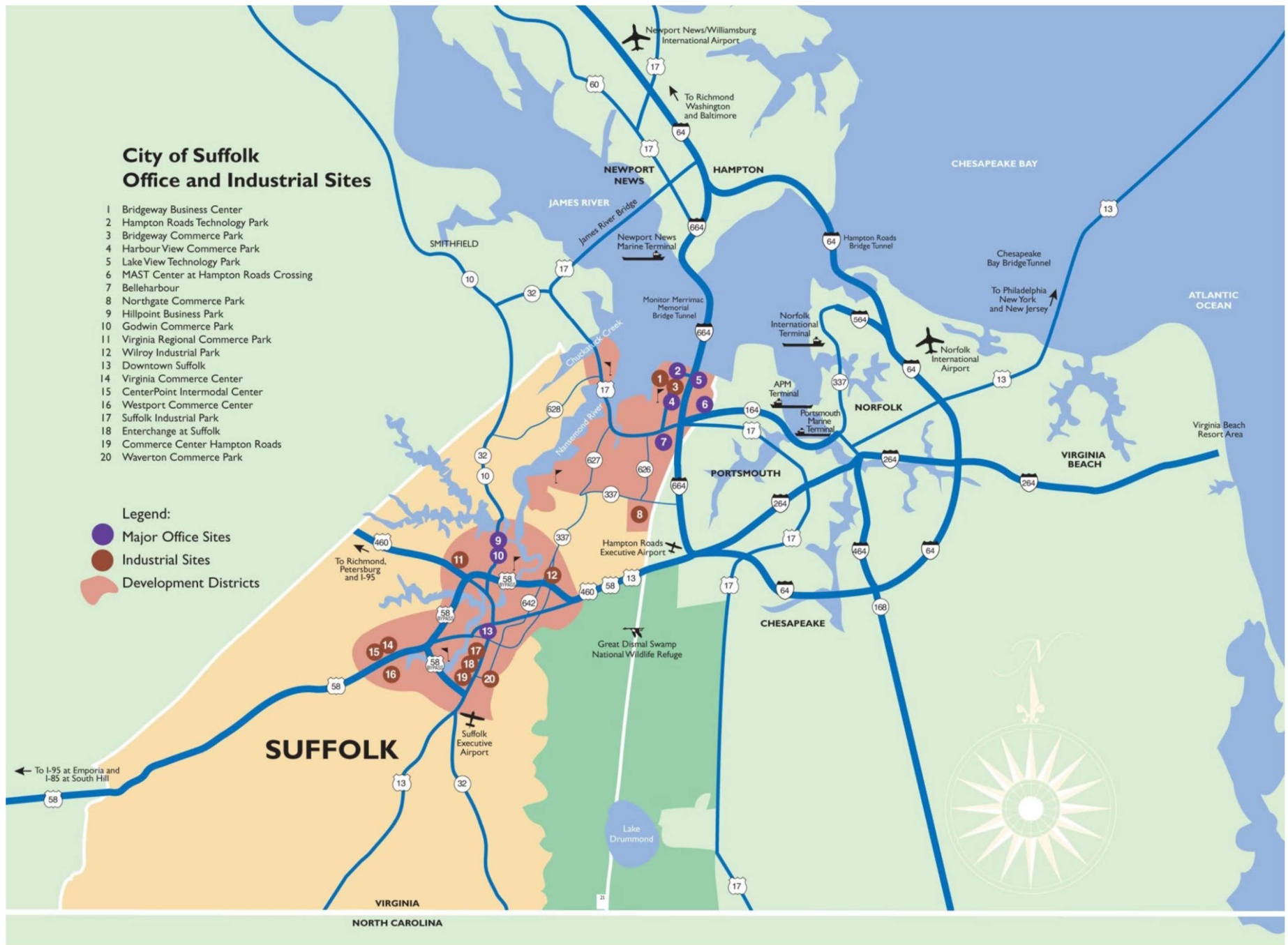
ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA

NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net investment in capital asset	\$ 14,608,302	\$ 14,719,860	\$ 14,856,419	\$ 15,017,977	\$ 15,255,788	\$ 15,446,141	\$ 15,661,019	\$ 15,962,259	\$ 19,039,859	\$ 19,282,690
Restricted	1,364,363	1,628,459	1,454,359	1,019,291	1,959,363	2,096,250	2,109,039	1,987,725	2,325,036	2,163,161
Unrestricted	13,810,067	12,664,601	13,039,257	14,438,095	13,307,932	12,487,854	12,667,481	13,744,064	11,702,667	13,191,738
Total net position	\$ 29,782,732	\$ 29,012,920	\$ 29,350,035	\$ 30,475,363	\$ 30,523,083	\$ 30,030,245	\$ 30,437,539	\$ 31,694,048	\$ 33,067,562	\$ 34,637,589

Source: EDA financial statements for respective year





COMPLIANCE SECTION

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

To the Board of Directors
Economic Development Authority City of Suffolk, 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 Economic Development Authority of the City of Suffolk, Virginia (the "Authority"), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 11, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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
November 11, 2025