



# **ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA**

## **FINANCIAL REPORT**

**June 30, 2021**

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## **INTRODUCTORY SECTION (UNAUDITED)**

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

**June 30, 2021**

**BOARD OF DIRECTORS**

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

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

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

Dennis J. Berman, Secretary  
Three Chopt District  
Term Expires November 13, 2024

Jennifer Hendren  
Brookland District  
Term Expires November 13, 2024

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

Linda R. Melton  
Fairfield District  
Term Expires November 13, 2024

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

Sam Bagley  
Varina District  
Term Expires November 13, 2023

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

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Economic Development Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Economic Development Authority of Henrico County, Virginia, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and County of Henrico Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and pension and other postemployment benefit (OPEB) liability information, and related notes on pages 37 through 42 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purpose of additional analysis and is not a required part of the basic financials.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia  
September 20, 2021

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management Discussion and Analysis ("MD&A") offers the readers of the Economic Development Authority of Henrico County, Virginia's (the "Authority") financial statements a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021.

### **Financial Highlights**

In Fiscal Year 2021 ("FY2021"), there was one Industrial Revenue and Refunding Bond issued by the Authority.

### **Overview of the Financial Statements**

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

#### Government-Wide Financial Statements

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

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

#### *Governmental Activities*

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

#### Fund Financial Statements

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

#### *Governmental Funds*

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

(Continued)



# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The basic governmental funds' financial statements can be found on pages 11-14 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-42 of this report.

### **Government-Wide Financial Analysis**

#### Statement of Net Position

The following table reflects condensed information on the Authority's net position. As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,835,230 at the close of the most recent fiscal year. 78% or \$20,942,748 of the Authority's net position reflect its investment in capital assets, net of related debt (e.g., building, vehicles, furniture and fixtures, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The remaining balance, unrestricted net position (32% of total) may be used to meet the Authority's ongoing obligations to citizens.

	<b>Governmental Activities</b>	
		<b>(As Restated)</b>
	<b>2021</b>	<b>2020</b>
Current and other assets	\$ 8,249,908	\$ 5,654,595
Capital assets	20,942,748	11,595,866
Total assets	29,192,656	17,250,461
Deferred outflows of resources	261,871	114,888
Current and other liabilities	2,042,996	35,360
Long-term liabilities	555,042	228,896
Total liabilities	2,598,038	264,256
Deferred inflows of resources	21,259	80,708
Net position:		
Net investment in capital assets	20,942,748	11,595,866
Unrestricted	5,892,482	4,924,519
Total net position	\$ 26,835,230	\$ 16,520,385

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statement of Activities

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

	<b>Governmental Activities</b>	
	<b>2021</b>	<b>2020</b>
Expenses:		
Economic development - operations	\$ 2,848,684	\$ 4,511,952
Capital outlay	173	-
Depreciation	55,791	55,699
Total expenses	<u>2,904,475</u>	<u>4,567,651</u>
Program revenues:		
Charges for services:		
Bond administration fees	168,411	180,915
Operating contributions:		
Appropriation from the County of Henrico	<u>2,402,252</u>	<u>3,502,375</u>
Total program revenues	<u>2,570,663</u>	<u>3,683,290</u>
Net program expenses	<u>(333,812)</u>	<u>(884,361)</u>
General revenues:		
Interest income	31,359	59,816
Miscellaneous income	179,743	989,017
Donated assets	9,261,100	10,000,000
Gain on disposal of assets	<u>1,230,551</u>	<u>3,368,461</u>
Total general revenues	<u>10,702,753</u>	<u>14,417,294</u>
Change in net position	10,368,941	13,532,933
Beginning of year, as restated	<u>16,466,289</u>	<u>2,987,452</u>
End of year	<u>\$ 26,835,230</u>	<u>\$ 16,520,385</u>

### Revenues

For FY2021, revenues from all sources totaled \$13,273,416. Donated assets is the largest component of revenues. Appropriations from the County are a significant source of operating contributions. Other sources of revenues consist of fees collected for the issuance of bonds and interest income received on the Authority's investments. The donated asset relates to the County's transfer of a two pieces of property to the Authority under the terms of performance agreements with prospective businesses.

### Expenses

For FY2021, expenses totaled \$2,904,475. Operating expenses for the Authority's activities totaled \$2,848,511 and were comprised primarily of salaries and related benefits, payments in accordance with economic development performance agreements, contractual services, and advertising and promotion. For government-wide financial reporting requirements, depreciation expense is allocated to Authority activities and retirement of principal on long-term debt is not shown as an expense.

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# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Government's Funds

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

#### Governmental Funds

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

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

	<u>2021</u>	<u>2020</u> <u>(As restated)</u>
General fund	\$ 6,206,912	\$ 5,119,235
County of Henrico Fund	-	-

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

#### General Government Functions

The following schedule presents a summary of revenues of the General Fund and the County of Henrico Fund combined, for the fiscal year ended June 30, 2021, and the amount and percentage of increases and decreases in relation to prior year.

	<u>2021</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>2020</u> <u>Amount</u>	<u>Decrease</u> <u>From 2020</u>	<u>Percent</u> <u>Decrease</u>
Revenues:					
Bond administration fees \$	168,411	4.20%	\$ 180,915	\$ (12,504)	(6.91)%
Other revenues	1,441,653	35.93%	4,411,294	(2,969,641)	(67.32)%
Appropriation from the County of Henrico	<u>2,402,252</u>	<u>59.87%</u>	<u>3,502,375</u>	<u>(1,100,123)</u>	<u>(31.41)%</u>
Total revenues	<u>\$ 4,012,316</u>	<u>100.00%</u>	<u>\$ 8,094,584</u>	<u>\$ (4,082,268)</u>	<u>\$ (50.43)%</u>

Appropriations from the County are a significant source of operating contributions, and the principal reason for the variance from FY2020 is the receipt of County funds toward economic development performance agreements and an additional appropriation to cover the yearly raises implemented by the County in FY2021. The principal reasons for the variance in other revenues from FY2020 are interest income received on the Authority's investments, and proceeds from the sale of a 25-acre parcel at the White Oak Technology Park. Under a 2017 agreement with the Commonwealth of Virginia, the Authority and the Commonwealth share the proceeds of the sale of the land in the White Oak Technology Park.

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# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following schedule presents a summary of expenditures of the General Fund and County of Henrico Fund combined, for the fiscal year ended June 30, 2021, and the percentage of increases and decreases in relation to prior year amounts:

	<u>2021 Amount</u>	<u>Percent of Total</u>	<u>2020 Amount</u>	<u>(Decrease) Increase From 2020</u>	<u>Percent (Decrease) Increase</u>
Expenditures:					
Economic development operations	\$ 2,782,893	95.15%	\$ 4,510,902	\$(1,728,009)	(38.31)%
Capital outlay	<u>141,746</u>	<u>4.85%</u>	<u>6,529</u>	<u>135,217</u>	<u>2,071.02%</u>
Total expenditures	<u>\$ 2,924,639</u>	<u>100%</u>	<u>\$ 4,517,431</u>	<u>\$ (1,592,792)</u>	<u>\$ (35.26)%</u>

### FY2021 General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance (Negative) Positive</u>
Revenues:				
Bond administration fees	\$ 174,192	\$ 174,192	\$ 168,411	\$ (5,781)
Appropriation from the County of Henrico	1,063,607	1,063,607	1,063,607	-
Gain on disposal of assets	-	-	1,230,551	1,230,551
Other income	<u>35,000</u>	<u>35,000</u>	<u>211,102</u>	<u>176,102</u>
Total revenues	<u>\$ 1,272,799</u>	<u>\$ 1,272,799</u>	<u>\$ 2,673,671</u>	<u>\$ 1,400,872</u>
Expenditures	<u>\$ 1,272,799</u>	<u>\$ 1,272,799</u>	<u>\$ 1,585,994</u>	<u>\$ (313,915)</u>

The EDA's normal operating expenditures were over budget due to the capital outlay for the White Oak Technology Park. Other income exceeded the budgeted amount due to the proceeds from the lease of the Authority's property at 4060 Innslake Drive to Genetworx. All lease proceeds are remitted to the County.

### FY2021 County of Henrico Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Appropriation from the County of Henrico	<u>\$ 573,329</u>	<u>\$ 573,329</u>	<u>\$ 1,338,645</u>	<u>\$ 765,316</u>
Expenditures	<u>\$ 573,329</u>	<u>\$ 573,329</u>	<u>\$ 1,338,645</u>	<u>\$ (765,316)</u>

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

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# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Assets and Debt Administration

#### Capital Assets

The Authority's investment in capital assets for the years ended June 30, 2021 and 2020, is reflected in the schedule below.

	<b>July 1 2020 (As Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2021</b>
Nondepreciable capital assets:				
Land	\$ 10,141,236	\$ 138,949	\$ -	\$ 10,280,185
Land held for sale	<u>-</u>	<u>9,261,100</u>	<u>-</u>	<u>9,261,100</u>
Total nondepreciable capital assets	<u>\$ 10,141,236</u>	<u>\$ 9,400,049</u>	<u>\$ -</u>	<u>\$ 19,541,285</u>
Depreciable capital assets:				
Building	\$ 2,177,082	\$ -	\$ -	\$ 2,177,082
Leasehold improvements	11,170	-	-	11,170
Furniture and equipment	76,162	-	-	76,162
Automobiles	66,743	-	-	66,743
Audio visual equipment	7,448	1,052	-	8,500
Data processing equipment	<u>39,778</u>	<u>1,572</u>	<u>(1,223)</u>	<u>40,127</u>
Total capital assets being depreciated	2,378,383	2,624	(1,223)	2,379,784
Less - accumulated depreciation	<u>(923,753)</u>	<u>(55,791)</u>	<u>1,223</u>	<u>(978,321)</u>
Total capital assets being depreciated, net	<u>1,454,630</u>	<u>(53,167)</u>	<u>-</u>	<u>1,401,463</u>
Capital assets, net	<u>\$ 11,595,866</u>	<u>\$ 9,346,882</u>	<u>\$ -</u>	<u>\$ 20,942,748</u>

During fiscal year 2021, the County transferred ownership of surplus property at 7500 Staples Mill Road and 1400 Best Plaza Drive to the Authority. The Authority has pending purchase and sale agreements on both properties for private commercial developments.

#### Long-Term Liabilities

The Authority's long-term liabilities for the years ended June 30, 2021 and 2020, is reflected in the schedule below:

	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2021</b>	<b>One Year</b>
Compensated absences	<u>\$ 102,147</u>	<u>\$ 49,425</u>	<u>\$ (40,582)</u>	<u>\$ 110,990</u>	<u>\$ -</u>

(Continued)

# **ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Economic Factors and Next Year's Budgets**

During fiscal year 2020-2021, the Henrico Economic Development Authority announced 10 projects, representing the recruitment of new businesses expansions of existing Henrico companies. Together, these announcements represent 1,417 new jobs, \$420.4 million in capital investment, \$52.3 million in annual wages, and 3,133,600 square feet of space. In FY2020, the Authority adopted a Strategic Plan that sets an ambitious agenda for the near- and long-term to grow Henrico's economy for all. That plan is available at [www.Henrico.com](http://www.Henrico.com), and the EDA staff provides quarterly strategic plan progress reports to the Authority.

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally and disrupted economic markets. While FY2021 development results were strong, as a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Authority's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

### **Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS' BALANCE SHEET**

**June 30, 2021**

	Major Funds				Governmental Activities
	General Fund	County of Henrico Fund	Total	Adjustments (Note 2)	Statement of of Net Position
ASSETS					
Cash and cash equivalents (Note 4)	\$ 4,389,561	\$ -	\$ 4,389,561	\$ -	\$ 4,389,561
Investments (Note 4)	3,276,908	-	3,276,908	-	3,276,908
Due from Henrico County	574,681	-	574,681	-	574,681
Other receivables	683	-	683	-	683
Prepaid expenses	8,075	-	8,075	-	8,075
Capital assets: (Note 5)					
Capital assets not subject to depreciation	-	-	-	19,541,285	19,541,285
Capital assets subject to depreciation, net	-	-	-	1,401,463	1,401,463
Total assets	8,249,908	-	8,249,908	20,942,748	29,192,656
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions (Note 8)	-	-	-	243,111	243,111
Deferred outflows related to OPEB (Notes 9, 10 and 11)	-	-	-	18,760	18,760
Total deferred outflows of resources	-	-	-	261,871	261,871
Total assets and deferred outflows of resources	\$ 8,249,908	\$ -	\$ 8,249,908	\$ 21,204,619	\$ 29,454,527
LIABILITIES					
Accounts payable and accrued expenses	\$ 51,273	\$ -	\$ 51,273	\$ -	\$ 51,273
Due to Henrico County (Note 5)	1,991,723	-	1,991,723	-	1,991,723
Long-term liabilities:					
Net pension liability (Note 8)	-	-	-	339,486	339,486
Net OPEB liability (Notes 9, 10 and 11)	-	-	-	104,566	104,566
Compensated absences (Note 6)	-	-	-	110,990	110,990
Total liabilities	2,042,996	-	2,042,996	555,042	2,598,038
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions (Note 8)	-	-	-	17,965	17,965
Deferred inflows related to OPEB (Notes 9, 10 and 11)	-	-	-	3,294	3,294
Total deferred inflows of resources	-	-	-	21,259	21,259
FUND BALANCE					
Unassigned	6,206,912	-	6,206,912	(6,206,912)	
Total liabilities and fund balance	\$ 8,249,908	\$ -	\$ 8,249,908		
NET POSITION					
Net investment in capital assets				20,942,748	20,942,748
Unrestricted				(314,430)	5,892,482
Total net position				20,628,318	26,835,230
Total liabilities, deferred inflows of resources, and net position				\$ 21,204,619	\$ 29,454,527

The Notes to Financial Statements are an integral part of this statement.



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

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
Year Ended June 30, 2021**

	<b>Major Funds</b>			<b>Adjustments (Note 2)</b>	<b>Governmental Activities Statement of Net Position</b>
	<b>General Fund</b>	<b>County of Henrico Fund</b>	<b>Total</b>		
EXPENDITURES/EXPENSES					
Economic development - operations	\$ 1,447,045	\$ 1,335,848	\$ 2,782,893	\$ 65,618	\$ 2,848,511
Capital outlay	138,949	2,797	141,746	(141,573)	173
Depreciation (Note 5)	-	-	-	55,791	55,791
Total expenditures/expenses	<u>1,585,994</u>	<u>1,338,645</u>	<u>2,924,639</u>	<u>(20,164)</u>	<u>2,904,475</u>
PROGRAM REVENUES					
Charge for services:					
Bond administration fees	168,411	-	168,411	-	168,411
Operating contributions:					
Appropriation from the County of Henrico	<u>1,063,607</u>	<u>1,338,645</u>	<u>2,402,252</u>	<u>-</u>	<u>2,402,252</u>
Total program revenues	<u>1,232,018</u>	<u>1,338,645</u>	<u>2,570,663</u>	<u>-</u>	<u>2,570,663</u>
Net program expenses					<u>(333,812)</u>
GENERAL REVENUES					
Interest income	31,359	-	31,359	-	31,359
Miscellaneous income	179,743	-	179,743	-	179,743
Donated assets (Note 5)	-	-	-	9,261,100	9,261,100
Gain on sale of assets	<u>1,230,551</u>	<u>-</u>	<u>1,230,551</u>	<u>-</u>	<u>1,230,551</u>
Total general revenues	<u>1,441,653</u>	<u>-</u>	<u>1,441,653</u>	<u>9,261,100</u>	<u>10,702,753</u>
Change in fund balances and net position	1,087,677	-	1,087,677	9,281,264	10,368,941
Fund balances/net position - beginning as restated (Note 15)	<u>5,119,235</u>	<u>-</u>	<u>5,119,235</u>	<u>11,347,054</u>	<u>16,466,289</u>
Fund balances/net position - ending	<u><u>\$ 6,206,912</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,206,912</u></u>	<u><u>\$ 20,628,318</u></u>	<u><u>\$ 26,835,230</u></u>

The Notes to Financial Statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Bond administration fees	\$ 174,192	\$ 174,192	\$ 168,411	\$ (5,781)
Interest	35,000	35,000	31,359	(3,641)
Appropriation from the County	1,063,607	1,063,607	1,063,607	-
Miscellaneous income	-	-	179,743	179,743
Gain on disposal of assets	-	-	1,230,551	1,230,551
Total revenues	<u>1,272,799</u>	<u>1,272,799</u>	<u>2,673,671</u>	<u>1,400,872</u>
<b>EXPENDITURES</b>				
Personnel costs:				
Salaries	817,607	817,607	844,277	(26,670)
Payroll taxes	55,000	55,000	55,412	(412)
Retirement and fringe benefits	221,500	221,500	210,793	10,707
Program expenses:				
Advertising	-	-	23,547	(23,547)
Business first	2,000	2,000	1,079	921
Dues	4,500	4,500	3,129	1,371
Scholarships	50,000	50,000	-	50,000
Business development	3,592	3,592	2,457	1,135
White Oak Park expenses	68,000	68,000	69,703	(1,703)
General and administrative:				
Directors' fees	30,000	30,000	26,600	3,400
Flowers/contributions	300	300	670	(370)
Food supplies and service	3,100	3,100	2,614	486
Gasoline and auto	2,000	2,000	567	1,433
Lease expense - equipment	7,700	7,700	8,190	(490)
Licensing	3,500	3,500	-	3,500
Postal services	-	-	2,043	(2,043)
Miscellaneous	-	-	195,961	(195,961)
Printing and binding	-	-	3	(3)
Tuition and seminars	3,000	3,000	-	3,000
Utilities	1,000	1,000	-	1,000
Capital outlay:				
Capital assets	-	-	138,949	(138,949)
Total expenditures	<u>1,272,799</u>	<u>1,272,799</u>	<u>1,585,994</u>	<u>(313,195)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,087,677</u>	<u>\$ 1,087,677</u>
Fund balance, beginning of year, as restated (Note 13)			<u>5,119,235</u>	
Fund balance, end of year			<u><u>\$ 6,206,912</u></u>	

The Notes to Financial Statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - COUNTY OF HENRICO FUND  
Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Appropriation from the County	\$ 573,329	\$ 573,329	\$ 1,338,645	\$ 765,316
<b>EXPENDITURES</b>				
Program expenses:				
Advertising and promotion	355,640	355,640	356,169	(529)
Dues and memberships	7,741	7,741	7,741	-
Payments to other organizations	-	-	765,229	(765,229)
Travel	7,901	7,901	7,784	117
General and administrative:				
Accounting and auditing	37,138	37,138	37,138	-
Books and subscriptions	1,168	1,168	1,167	1
Food supplies and service	4,080	4,080	4,077	3
Gasoline and auto	864	864	789	75
Landscaping	96,258	96,258	96,268	(10)
Office expense	21,444	21,444	21,401	43
Other miscellaneous	285	285	278	7
Postal services	2,120	2,120	2,038	82
Printing and binding	40	40	36	4
Telecommunications	7,809	7,809	7,809	-
Utilities	27,924	27,924	27,924	-
Capital outlay:				
Computer equipment	2,117	2,117	2,116	1
Telecom equipment	800	800	681	119
Total expenditures	573,329	573,329	1,338,645	(765,316)
Excess of revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

The Notes to Financial Statements are an integral part of this statement.

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 1. Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

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

#### B. Basis of Presentation

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

##### Government-wide financial statements

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

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

##### Fund financial statements

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

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (Continued)

##### Fund financial statements (Continued)

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

#### D. Estimates

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

(Continued)

# **ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

### **1. Summary of Significant Accounting Policies (Continued)**

#### **E. Cash and Cash Equivalents**

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

#### **F. Investments**

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

#### **G. Capital Assets**

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

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

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

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

Buildings	50 years
Leasehold improvements	7-10 years
Furniture and fixtures	7 years
Automobiles	5 years
Audio visual equipment	10 years
Data processing equipment	5 years

#### **H. Allowance for Uncollectible Fees Receivable**

An allowance for uncollectible fees receivable is generally established using historical collection data, consideration of economic conditions, specific account analysis, and subsequent cash receipts. At June 30, 2021, all amounts are considered collectible and, therefore, no allowance was deemed necessary.

(Continued)

# **ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

### **1. Summary of Significant Accounting Policies (Continued)**

#### **I. Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statements that present net position report a separate section for deferred outflows of resources and deferred inflows of resources. These items represent a consumption and acquisition, respectively, of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue), respectively, until then. The Authority has the following items that qualify for reporting in these categories:

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; this will be applied to the net pension liability in the next fiscal year.
- Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability. This difference will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.
- Difference between projected and actual earnings on pension and OPEB plan investments. This difference will be recognized in pension or OPEB expense over the closed five year period and may be reported as a deferred outflow or inflow as appropriate.
- Differences resulting from changes in actuarial assumptions on pension plan or OPEB valuations. These differences will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.
- Differences resulting from a change in proportion of the collective net OPEB liabilities. This difference will be recognized in OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate.

#### **J. Compensated Absences**

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

#### **K. Pensions**

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

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 1. Summary of Significant Accounting Policies (Continued)

#### L. Other Postemployment Benefits Plan

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

#### M. Sources of Revenue

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

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

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

#### N. Net Position

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

#### O. Fund Balance

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

*Restricted fund balance* - This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors. The Authority had no restricted fund balances at June 30, 2021.

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

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**2. Reconciliation of Government-Wide and Fund Financial Statements**

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

Amounts reported for total governmental funds are different from the amounts reported in the statement of net position because:

Ending fund balance - governmental funds	<u>\$ 6,206,912</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, not being depreciated:	
Land	10,280,185
Land held for sale	9,261,100
Capital assets, being depreciated:	
Building	2,177,082
Leasehold improvements	11,170
Furniture and fixtures	76,162
Automobiles	66,743
Audio visual equipment	8,500
Data processing equipment	<u>40,127</u>
Total capital assets	21,921,069
Less - accumulated depreciation	<u>(978,321)</u>
Capital assets, net	<u>20,942,748</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(339,486)
Net OPEB liability	(104,566)
Net deferred inflows	(21,259)
Net deferred outflows	261,871
Compensated absences	<u>(110,990)</u>
Net position of governmental activities	<u>\$ 26,835,230</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

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

Amounts reported for governmental funds differ from the amounts reported in the statement of activities because:

Net change in fund balances - total governmental funds	<u>\$ 1,087,677</u>
When capital assets used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.	
Capital outlay	141,573
Depreciation expense	(55,791)
Donations of capital assets increase revenues in the statements of changes in net position, but do not appear in the governmental funds because they are not financial resources.	
	9,261,100
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the statement of activities, they are reported as expenses.	
Compensated absences	(8,843)
Net pension and OPEB related activity	<u>(56,775)</u>
Subtotal	<u>9,281,264</u>
Change in net position	<u>\$ 10,368,941</u>

**3. Stewardship, Compliance and Accountability**

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

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 4. Deposits and Investments

At June 30, 2021, the Authority's deposits and investments consist of the following:

Demand deposits	\$ 4,389,561
LGIP - amortized cost	3,176,374
Money Market - amortized cost	<u>100,534</u>
	<u>\$ 7,666,469</u>

#### Deposits

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

#### Investments

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

#### Investment risk disclosures

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

#### *Credit risk*

State statutes allow the Authority to invest in, amongst other things, obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia, obligations of any city, county, or town, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and money market mutual funds. During the fiscal year, the Authority's LGIP carried a rating of AAAM.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**5. Capital Assets**

Capital assets at June 30, 2021, were composed of the following amounts

	<b>Balance at July 1, 2020 (As Restated)</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance at June 30, 2021</b>
Capital assets not subject to depreciation:				
Land	\$ 10,141,236	\$ 138,949	\$ -	\$ 10,280,185
Land held for sale	<u>-</u>	<u>9,261,100</u>	<u>-</u>	<u>9,261,100</u>
Capital assets not subject to depreciation	<u>10,141,236</u>	<u>9,400,049</u>	<u>-</u>	<u>19,541,285</u>
Capital assets subject to depreciation:				
Buildings	2,177,082	-	-	2,177,082
Leasehold improvements	11,170	-	-	11,170
Furniture and equipment	76,162	-	-	76,162
Automobiles	66,743	-	-	66,743
Audio visual equipment	7,448	1,052	-	8,500
Data processing equipment	<u>39,778</u>	<u>1,572</u>	<u>(1,223)</u>	<u>40,127</u>
Total capital assets subject to depreciation	2,378,383	2,624	(1,223)	2,379,784
Less - accumulated depreciation	<u>(923,753)</u>	<u>(55,791)</u>	<u>1,223</u>	<u>(978,321)</u>
Total capital assets subject to depreciation, net	<u>1,454,630</u>	<u>(53,671)</u>	<u>-</u>	<u>1,401,463</u>
Capital assets, net	<u>\$ 11,595,866</u>	<u>\$ 9,346,882</u>	<u>\$ -</u>	<u>\$ 20,942,748</u>

On March 28, 2013, for the price of \$1, the County transferred ownership of 2.448 acres of land with all improvements, owned by the County, and located at 4060 Innslake Drive in the Three Chopt District, to the Authority. The Authority was then authorized to lease the property to Genetworx LLC ("tenant"), a Virginia limited liability company, for a term of three years with an option to purchase at the end of the lease on February 29, 2016, at fair market value to be determined in accordance with the terms and conditions of the lease. On February 18, 2016, the terms of this lease were extended for an additional three years, expiring on February 28, 2019. On February 7, 2019, the terms of this lease were extended for an additional three years, expiring on February 28, 2022. During the term of the lease, the Authority would remit to the County all rents received, less the cost of the operational expenditures. The Authority sold the property in fiscal year 2021. At June 30, 2021, the Authority owed \$1,991,723 to the County for the proceeds from the sale of the property, which is included on the governmental funds' balance sheet and the statement of net position as a due to Henrico County.

Additionally, during fiscal year 2021, the Authority sold land with no carrying value, per an established agreement with the Commonwealth of Virginia, to a third party and recognized a gain of \$1,230,551.

During fiscal year 2021, the County conveyed land to the Authority with the intent the land would be sold to a prospective business in the near future. If the sale does not take place, the land will revert back to the County. As a result, the Authority realized \$9,261,100 in revenues related to the donated assets during the year on the statement of activities and governmental funds' revenues, expenditures and changes in fund balances. The related land is reflected in land held for sale on the statement of net position at June 30, 2021.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 6. Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2021, were as follows:

	<u>June 30,</u> <u>2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30,</u> <u>2021</u>	<u>One Year</u>
Compensated absences	\$ 102,147	\$ 49,425	\$ (40,582)	\$ 110,990	\$ -

The Authority had outstanding accrued leave totaling \$110,990 at June 30, 2021. The compensated absences liability for the Authority are accounted for on a last-in first-out basis, which assumes that the employees are taking time as it is earned, and the liability is reported as long term.

### 7. Conduit Debt - Revenue Bonds and Notes Issued

The Authority is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds ("IRBs") on behalf of qualified businesses wanting to promote industry and develop trade within the County. Principal and interest on the IRBs are paid entirely by the businesses. The terms of the IRBs stipulate that neither the Authority nor the County guarantees the repayment of principal and interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. The Authority has issued over \$559 million of IRBs since 2008. During the year ended June 30, 2021, the Authority issued one \$47,340,000 revenue and refunding bond.

### 8. Defined Benefit Pension Plan

#### Plan description

All full-time, salaried permanent employees of the Authority, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

8. Defined Benefit Pension Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	5
Inactive members:	
Vested	1
Non-vested	1
Active elsewhere in VRS	3
Total inactive members	5
Active members	9
	19

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2021, was 9.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$71,426 and \$79,666 for the years ended June 30, 2021 and 2020, respectively.

Net pension liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 8. Defined Benefit Pension Plan (Continued)

#### Actuarial assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

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

Mortality rates: 15-20% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

#### Long-term expected rate of return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**8. Defined Benefit Pension Plan (Continued)**

Long-term expected rate of return (continued)

<u>Asset Class Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate Return</u>	<u>Weighted Average Long-Term Expected Rate Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	<u>6.49%</u>	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

\*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**8. Defined Benefit Pension Plan (Continued)**

Changes in net pension liability

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2019	\$ 2,596,397	\$ 2,500,124	\$ 96,273
Changes for the year:			
Service cost	95,026	-	95,026
Interest	169,984	-	169,984
Difference between expected and actual experience	123,481	-	123,481
Contributions - employer	-	61,129	(61,129)
Contributions - employee	-	38,324	(38,324)
Net investment income	-	47,510	(47,510)
Benefit payments, including refunds of employee contributions	(156,231)	(156,231)	-
Administrative expense	-	(1,629)	1,629
Other changes	-	(56)	56
Net changes	232,260	(10,953)	243,213
Balances at June 30, 2020	\$ 2,828,657	\$ 2,489,171	\$ 339,486

Sensitivity of the net pension liability to changes in the discount rate

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

	<b>1% Decrease 5.75%</b>	<b>Current Discount Rate 6.75%</b>	<b>1% Increase 7.75%</b>
Net pension liability	\$ 586,409	\$ 339,486	\$ 125,851

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**8. Defined Benefit Pension Plan (Continued)**

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ending June 30, 2021, the Authority recognized pension expense of \$102,772. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 82,728	\$ 17,965
Difference between projected and actual earnings on pension plan investments	74,663	-
Changes of assumptions	14,294	-
Employer contributions subsequent to the measurement date	<u>71,426</u>	<u>-</u>
	<u>\$ 243,111</u>	<u>\$ 17,965</u>

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

<b><u>Year Ending June 30,</u></b>	
2022	\$ 39,407
2023	64,051
2024	26,407
2025	23,855

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (CAFR). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 9. Other Postemployment Benefits (OPEB) - Retiree Healthcare

#### Plan description

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

#### Healthcare benefits

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

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

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

#### Membership

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

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

#### Funding policy

The County currently contributes amounts to the Virginia Pooled OPEB Trust Fund for the postemployment healthcare benefits. The Board of the Trust Fund establishes rates based on an actuarially determined rate. Contributions are irrevocable and shall be dedicated to providing other postemployment benefits or to defray reasonable expenses of the Trust Fund. For the year ended June 30, 2021, the Authority made pay-as-you-go contributions to cover benefit payments of \$774.

#### OPEB liability and OPEB expense

For purposes of measuring the postemployment Healthcare OPEB liability, deferred outflows, and deferred inflows of resources, OPEB expense and the additions to/deductions from net fiduciary position have been determined on the same basis as they were reported as of June 30, 2021. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**9. Other Postemployment Benefits (OPEB) - Retiree Healthcare (Continued)**

OPEB liability and OPEB expense (Continued)

At June 30, 2021, the Authority reported a postemployment Healthcare OPEB liability of \$104,566. For the year ended June 30, 2021, the Authority recognized Healthcare OPEB expense of \$8,701.

At June 30, 2021, the Authority's Healthcare OPEB liability is as follows

Total Healthcare OPEB liability	\$ 37,812
Fiduciary net position	<u>-</u>
Healthcare OPEB liability	<u><u>\$ 37,812</u></u>

Changes in the Healthcare OPEB liability

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>OPEB Liability (a) - (b)</b>
Balances at June 30, 2020	<u>\$ 30,476</u>	<u>\$ -</u>	<u>\$ 30,476</u>
Changes for the year:			
Service cost	5,636	-	5,636
Interest	2,474	-	2,474
Contributions - employer	-	774	(774)
Benefit payments, including refunds of employee contributions	<u>(774)</u>	<u>(774)</u>	<u>-</u>
Net changes	<u>7,336</u>	<u>-</u>	<u>7,336</u>
Balances at June 30, 2021	<u><u>\$ 37,812</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,812</u></u>

Actuarial methods and assumptions

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

In the June 30, 2020, actuarial valuation, which was used for the June 30, 2021, measurement date for other postemployment healthcare benefits, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 7% discount rate of return, no annual salary increase, and an annual healthcare cost trend rate of 7.5% trending uniformly to 6.75% over the next 3 years and ultimately to a rate of 4.04% in the year 2075. The remaining closed amortization period beginning July 1, 2017, for the calculation of contributions, was 20 years. Experience gains or losses are amortized over the average working lifetime of all participants, which is 8 years for the current period. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5-year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants. The County plans to continue to fund the OPEB Trust annually and has no plans to currently pay any benefits out of the OPEB Trust.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 9. Other Postemployment Benefits (OPEB) - Retiree Healthcare (Continued)

#### Actuarial methods and assumptions (Continued)

Mortality rates:

##### *Pre-commencement:*

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

##### *Post-commencement:*

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

##### *Post-disablement:*

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

#### Discount rate

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

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

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

	<b>1% Decrease (6%)</b>	<b>Current Discount Rate (7%)</b>	<b>1% Increase (8%)</b>
Healthcare OPEB liability	\$ 40,534	\$ 37,812	\$ 35,387

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

The following presents the Authority's OPEB liability calculated using the healthcare cost trend assumption rate of 7.5%, as well as what the Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	<b>1% Decrease 6.5% Decreasing to 5.75% Over 3 years</b>	<b>Current 7.5% Decreasing to 6.75% Over 3 years</b>	<b>1% Increase 8.5% Decreasing to 7.75% Over 3 years</b>
Healthcare OPEB liability	\$ 34,204	\$ 37,812	\$ 42,024

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**9. Other Postemployment Benefits (OPEB) - Retiree Healthcare (Continued)**

Deferred outflows and inflows of resources related to Healthcare OPEB

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,773	\$ -

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

<b><u>Year Ending June 30,</u></b>	
2022	\$ 591
2023	591
2024	<u>591</u>
	\$ <u>1,773</u>

**10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance**

In addition to their participation in the pension plan offered through the Virginia Retirement System (VRS), the Authority also participates in a cost-sharing other postemployment benefit plan, described as follows.

Plan description

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

#### Contributions

Contributions to the VRS OPEB program were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rate was expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB program are as follows:

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2021 Contribution	\$4,395
June 30, 2020 Contribution	\$4,288

#### OPEB liability, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially determined employer contributions for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2021 proportionate share of liability	\$	66,754
June 30, 2020 proportion		0.00400%
June 30, 2019 proportion		0.00394%
June 30, 2021 expense	\$	3,360

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance  
(Continued)**

OPEB liability, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 4,282	\$ 599
Changes of assumptions	3,338	1,394
Net difference between projected and actual earnings on plan investments	2,005	-
Changes in proportion	2,967	1,301
Employer contributions subsequent to the measurement date	<u>4,395</u>	<u>-</u>
	<u><u>\$ 16,987</u></u>	<u><u>\$ 3,294</u></u>

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Increase (Reduction) to Pension Expense</u></b>
2022	\$ 1,820
2023	2,386
2024	2,408
2025	2,027
2026	583
Thereafter	74

(Continued)



# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)

#### Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020:

Inflation	2.50%
Salary increases, including inflation:	
Locality - general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Teachers	3.50 - 5.95%
Healthcare cost trend rates:	
Under age 65	7.00 - 4.75%
Ages 65 and older	5.375 - 4.75%
Investment rate of return, net of expenses, including inflation*	6.75%

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

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 8.

#### Net OPEB liability

The net OPEB liability represents each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts are as follows (amounts expressed in thousands):

Total OPEB liability	\$ 3,523,937
Plan fiduciary net position	<u>1,855,102</u>
Employers' net OPEB liability (asset)	<u>\$ 1,668,835</u>
Plan fiduciary net position as a percentage of total OPEB liability	52.64%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance  
(Continued)**

Long-Term expected rate of return

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
	<u>100.00%</u>		<u>4.64%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u><u>7.14%</u></u>

\*The above allocation provides for a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**10. Other Postemployment Benefits (OPEB) - Virginia Retirement System Group Life Insurance (Continued)**

Discount rate

The discount rate used to measure the GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b><u>5.75%</u></b>	<b><u>6.75%</u></b>	<b><u>7.75%</u></b>
GLI net OPEB liability	\$ <u>87,753</u>	\$ <u>66,754</u>	\$ <u>49,700</u>

OPEB plan fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**11. Other Postemployment Benefits (OPEB) Summary**

A summary of the other post-employment benefits-related financial statement elements is as follows:

	<b><u>Retiree Healthcare</u></b>	<b><u>VRS GLI</u></b>	<b><u>Total</u></b>
Net other post-employment benefits liability	\$ 37,812	\$ 66,754	\$ 104,566
Deferred outflows of resources:			
Change in proportion	\$ -	\$ 2,967	\$ 2,967
Contributions subsequent to measurement date	-	4,395	4,395
Difference between expected and actual experience	1,773	4,282	6,055
Difference between projected and actual investment earnings	-	2,005	2,005
Changes in actuarial assumptions	<u>-</u>	<u>3,338</u>	<u>3,338</u>
Total deferred outflows of resources	\$ <u>1,773</u>	\$ <u>16,987</u>	\$ <u>18,760</u>
Deferred inflows of resources:			
Differences between expected and actual experience:	\$ -	\$ 599	\$ 599
Change in actuarial assumptions:	-	1,394	1,394
Change in proportion:	<u>-</u>	<u>1,301</u>	<u>1,301</u>
Total deferred inflows of resources	\$ <u>-</u>	\$ <u>3,294</u>	\$ <u>3,294</u>
Net other post-employment benefits expense:	\$ <u>8,701</u>	\$ <u>3,360</u>	\$ <u>12,061</u>

**12. Lease Commitments**

The Authority executed a lease agreement with the County Board of Supervisors, as lessor, and the Authority, as the lessee, on October 4, 2001. The term of the lease is 50 years with an annual consideration of \$1 for the 2.5-acre parcel of land located at the northwest corner of Parham and Hermitage High Boulevard. As part of the lease agreement, the Authority agreed to construct an office building, parking lot, and other appurtenant facilities on the premises. The building and all facilities shall revert to the lessor at termination of the lease.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 12. Lease Commitments (Continued)

The Authority leases office equipment under noncancelable operating lease agreements expiring October 7, 2024. Total rental expense under all operating leases was \$8,190 for the fiscal year ended June 30, 2021. Future minimum rental payments under these operating leases will be as follows:

<u>Year Ending</u> <u>June 30,</u>	
2022	\$ 22,860
2023	22,860
2024	22,860
2025	<u>7,620</u>
	<u>\$ 76,200</u>

### 13. Claims and Judgements

#### Litigation

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

#### Risk management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains a comprehensive property and casualty policy, a commercial general liability policy, a comprehensive liability vehicle policy, and coverage for Authority errors and omissions, workers' compensation and employer's liability, and certain other risks with commercial insurance companies. There have been no significant reductions in insurance coverage in comparison to coverage in the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### 14. Performance Agreements

The Authority has executed performance agreements with various businesses on behalf of the County, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded in accordance with the terms of the performance agreements, which are generally contingent upon appropriation of such awards by the County. During the year ended June 30, 2021, the Authority awarded \$664,556 under the terms of these agreements, \$314,556 of which had not yet been reimbursed by the County as of year-end and is included in Due from County on the governmental funds' balance sheet and statement of net position.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 15. Restatement

During the year, management determined that costs related to site remediation work done at the White Oaks Technology Park previously thought to be reimbursable and thus were reported as a receivable on the governmental funds' balance were actually not reimbursable and thus were capital in nature. Additionally, the Authority's participation in the VRS Group Life Insurance OPEB program was not reported in the previously issued financial statements. As a result, prior year balances have been restated as follows:

	<b>June 30, 2020 Previously Reported</b>	<b>Restatement</b>	<b>June 30, 2020 As Restated</b>
Governmental funds, General Fund			
Other receivables	\$ 223,525	\$ (141,234)	\$ 82,291
Fund balance - unassigned	\$ 5,260,469	\$ (141,234)	\$ 5,119,235
Governmental activities			
Other receivables	\$ 223,525	\$ (141,234)	\$ 82,291
Deferred outflows of resources, GLI OPEB	\$ -	\$ 15,701	\$ 15,701
Capital asset - Land	\$ 10,000,002	\$ 141,234	\$ 10,141,236
Liability for Net GLI OPEB	\$ -	\$ 64,114	\$ 64,114
Deferred inflows of resources, GLI OPEB	\$ -	\$ 5,683	\$ 5,683
Net position - Unrestricted	\$ 5,065,753	\$ (195,330)	\$ 4,870,423
Net position - Net investment in capital assets	\$ 11,454,632	\$ 141,234	\$ 11,595,866

### 16. COVID-19 Uncertainty

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Authority's operations are heavily dependent on financial support from the County. The outbreak could continue materially having an adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation could depress the tax bases and other areas in which the County received revenue in future years to come, which could impact the Authority. As such, the Authority's financial condition and liquidity could negatively impacted in future fiscal years.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the continued daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future fiscal years.

(Continued)

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 17. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

In March 2018, the GASB issued **Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements***. This Statement improves the information disclosed in the notes to government financial statements related to debt. The requirements of this Statement are effective for fiscal years beginning after June 15, 2019.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, *Omnibus***. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates***. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32***. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**



## ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY WITH RELATED RATIOS

	Plan Year						
	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>							
Service cost	\$ 95,026	\$ 84,908	\$ 85,736	\$ 91,738	\$ 73,447	\$ 76,852	\$ 74,757
Interest	169,984	167,993	164,273	157,627	151,476	145,107	138,454
Changes of assumptions	-	51,422	-	(28,649)	-	-	-
Difference between expected and actual experience	123,481	(40,609)	(67,375)	(3,573)	(15,896)	(10,857)	-
Benefit payments, including refunds of employee contributions	(156,231)	(134,445)	(124,529)	(119,880)	(122,408)	(117,850)	(118,471)
Net change in total pension liability	232,260	129,269	58,105	97,263	86,619	93,252	94,740
Total pension liability, beginning	2,596,397	2,467,128	2,409,023	2,311,760	2,225,141	2,131,889	2,037,149
Total pension liability, ending (a)	<u>\$ 2,828,657</u>	<u>\$ 2,596,397</u>	<u>\$ 2,467,128</u>	<u>\$ 2,409,023</u>	<u>\$ 2,311,760</u>	<u>\$ 2,225,141</u>	<u>\$ 2,131,889</u>
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions - employer	\$ 61,129	\$ 57,886	\$ 66,287	\$ 64,961	\$ 80,531	\$ 72,678	\$ 73,093
Contributions - employee	38,324	35,983	36,639	35,713	32,603	29,305	28,709
Net investment income	47,510	158,726	165,515	245,313	34,715	87,632	262,927
Benefit payments, including refunds of employee contributions	(156,231)	(134,445)	(124,529)	(119,880)	(122,408)	(117,850)	(118,471)
Administrative expenses	(1,629)	(1,571)	(1,421)	(1,405)	(1,225)	(1,199)	(1,419)
Other changes	(56)	(100)	(148)	(219)	(15)	(20)	14
Net change in plan fiduciary net position	(10,953)	116,479	142,343	224,483	24,201	70,546	244,853
Plan fiduciary net position, beginning	2,500,124	2,383,645	2,241,302	2,016,819	1,992,618	1,922,072	1,677,219
Plan fiduciary net position, ending (b)	<u>\$ 2,489,171</u>	<u>\$ 2,500,124</u>	<u>\$ 2,383,645</u>	<u>\$ 2,241,302</u>	<u>\$ 2,016,819</u>	<u>\$ 1,992,618</u>	<u>\$ 1,922,072</u>
Net pension liability, beginning	<u>\$ 96,273</u>	<u>\$ 83,483</u>	<u>\$ 167,721</u>	<u>\$ 294,941</u>	<u>\$ 232,523</u>	<u>\$ 209,817</u>	<u>\$ 359,930</u>
Net pension liability, ending (a) - (b)	<u>\$ 339,486</u>	<u>\$ 96,273</u>	<u>\$ 83,483</u>	<u>\$ 167,721</u>	<u>\$ 294,941</u>	<u>\$ 232,523</u>	<u>\$ 209,817</u>
Plan fiduciary net position as a percentage of the total pension liability	88.0%	96.3%	96.6%	93.0%	87.2%	89.6%	90.2%
Employer's covered payroll	\$ 830,381	\$ 795,486	\$ 773,479	\$ 717,476	\$ 607,128	\$ 558,862	\$ 558,862
Net pension liability as a percentage of covered payroll	40.9%	12.1%	10.8%	23.4%	48.6%	41.6%	37.5%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

## ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

<b>For the Years Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution (Deficiency) Excess</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2021	\$ 71,426	\$ 71,426	\$ -	\$ 814,166	8.77%
2020	70,250	79,666	9,416	830,381	9.59%
2019	67,298	76,373	9,075	795,486	9.60%
2018	65,436	80,631	15,195	773,479	10.42%
2017	65,506	78,078	12,572	717,476	10.88%
2016	75,405	89,960	14,555	607,128	14.82%
2015	73,137	83,520	10,383	588,862	14.18%

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

## **ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA**

### **NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**

**June 30, 2021**

#### **18. Changes of Benefit Terms**

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

#### **19. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service through 9 years of service
- Lowered rates of disability retirement
- No changes to salary rates
- Increased Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%

## ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## SCHEDULE OF CHANGES IN NET OPEB LIABILITY WITH RELATED RATIOS

	Plan Year			
	2020	2019	2018	2017
<b>TOTAL OPEB LIABILITY</b>				
Service cost	\$ 5,636	\$ 4,033	\$ 3,841	\$ 3,658
Interest	2,474	1,800	1,466	1,226
Difference between expected and actual experience	-	2,955	-	-
Benefit payments, including refunds of employee contributions	(774)	(720)	(1,645)	(1,523)
Net change in total OPEB liability	7,336	8,068	3,662	3,361
Total OPEB liability, beginning	30,476	22,408	18,746	15,385
Total OPEB liability, ending (a)	<u>\$ 37,812</u>	<u>\$ 30,476</u>	<u>\$ 22,408</u>	<u>\$ 18,746</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 774	\$ 720	\$ 1,645	\$ 1,523
Benefit payments, including refunds of employee contributions	(774)	(720)	(1,645)	(1,523)
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position, beginning	-	-	-	-
Plan fiduciary net position, ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability, beginning	<u>\$ 30,476</u>	<u>\$ 22,408</u>	<u>\$ 18,746</u>	<u>\$ 15,385</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 37,812</u>	<u>\$ 30,476</u>	<u>\$ 22,408</u>	<u>\$ 18,746</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Employer's covered payroll	\$ 786,622	\$ 786,622	\$ 792,076	\$ 792,076
Net OPEB liability as a percentage of covered payroll	5%	4%	3%	2%

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

## ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## SCHEDULE OF EMPLOYER'S SHARE OF NET GLI OPEB LIABILITY

	Plan Year	
	2020	2019
Employer's Proportion of the Net GLI OPEB Liability	\$ 66,754	\$ 64,114
Employer's Proportionate Share of the Net GLI OPEB Liability	0.00400%	0.00394%
Employer's Covered Payroll	\$ 830,381	\$ 795,486
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.04%	8.06%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%

This schedule is intended to show information for 10 years. Since fiscal year 2020 (plan year 2019) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

## ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

<b>For the Years Ended June 30,</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
Retiree Healthcare Program					
2021	\$ 8,847	\$ 774	\$ (8,073)	\$ 786,622	0.10%
2020	8,847	720	(8,127)	786,622	0.09%
2019	5,726	1,645	(4,081)	792,076	0.21%
2018	5,188	1,523	(3,665)	792,076	0.19%
Group Life Insurance Program					
2021	\$ 4,395	\$ 4,395	\$ -	\$ 814,166	0.54%
2020	4,288	4,288	-	830,381	0.52%

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

See Independent Auditor's Report.

# ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

## NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION

June 30, 2021

### 1. Changes of Benefit Terms

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

### 2. Changes of Assumptions

#### Actuarial assumptions

There have been no material changes in actuarial assumptions since the previous valuation date.

#### Actuarial assumptions (Healthcare OPEB Plan)

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

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

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

#### Actuarial assumptions (GLI OPEB Plan)

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Largest 10 - Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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

**NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION**

**June 30, 2021**

**3. Changes of Assumptions (Continued)**

Actuarial assumptions (GLI OPEB Plan) (Continued)

Largest 10 - Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%

Teacher cost-sharing pool

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each year age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%



## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Economic Development Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 20, 2021.

**Internal Control Over Financial Reporting**

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

### **Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Richmond, Virginia  
September 20, 2021

# **ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA**

## **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2021**

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

### **STATE COMPLIANCE MATTERS**

#### **Code of Virginia**

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Local Retirement Systems

Uniform Disposition of Unclaimed Property Act

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

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2021**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None noted.

**C. FINDINGS - COMMONWEALTH OF VIRGINIA**

None noted.