



Eastern Virginia Regional Industrial Facility Authority

## **FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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## Report of Independent Auditor

To the Board of Directors  
Eastern Virginia Regional Industrial Facility Authority

### Report on the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Eastern Virginia Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Authority, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, 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.

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
December 4, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Eastern Virginia Regional Industrial Facility Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities, as of and for the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The Authority's net position increased by 2.8% over fiscal year 2022. Net position (assets less liabilities) was \$1,543,656 as of June 30, 2023. Of the total, \$99,019 is restricted for projects agreed upon by the King's Creek Commerce participating localities, which are designed specifically to develop and promote the King's Creek Commerce Center property. \$1,350,000 is the net investment in capital assets, and the remaining \$94,637 is unrestricted.
- For fiscal year 2023, the Authority had revenues of \$173,685, while expenses totaled \$131,656.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of five (5) sections: *the report of independent auditor, Management's Discussion and Analysis, basic financial statements, required supplementary information, and report of independent auditor on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards*. The financial statements include notes to explain the information in the financial statements and to provide more detailed data. The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements are accounted for using the modified accrual basis of accounting. The following required financial statements provide both short-term and long-term information about the Authority's overall financial status.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide the reader with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the Authority's assets and liabilities reported using the full accrual basis of accounting. The Statement of Activities presents all of the Authority's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and changes in net position. The Authority's net position presents financial information on all of the Authority's assets and liabilities, with the difference reported as net position.

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

### FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the Authority's only governmental fund, the General Fund. Funds are accounting units that are used to track specific sources of funding and spending for particular purpose.

The Balance Sheet presents information on all of the Authority's assets less liabilities, with the difference between them reported as fund balance. This statement provides information about the nature and the amounts of investments and the obligations to the Authority's creditors at fiscal year-end. It also provides a basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the revenues and expenditures for the fiscal year are accounted for in the Statement of Revenues, Expenditures, and Changes in Fund Balance regardless of the timing of cash flow. This statement measures the results of the Authority's operations for the fiscal year and can be used to determine whether the Authority has successfully recovered all of its expenditures through its assessments, charges, and other revenues.

## FINANCIAL ANALYSIS

**Table I**  
**Summary of Statement Net Position (in thousands)**  
 June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Current and other assets	\$ 196	\$ 152
Capital assets	1,350	1,350
Total assets	1,546	1,502
Current liabilities	2	-
Total Liabilities	2	-
Net Position		
Investment in Capital Assets	1,350	1,350
Restricted	99	79
Unrestricted	95	73
Total Net Position	\$ 1,544	\$ 1,502

As shown above, the Authority's overall net position increased slightly in the current year. The increase is attributed to state grant reimbursements of current and prior year operating costs.

**Table II**  
**Summary of Changes Net Position (in thousands)**  
 For fiscal years ended June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Program revenues:		
Charges for Services	\$ 9	\$ 15
Operating grants and contributions	165	1,455
Total revenues	174	1,470
Expenses:		
General and administration	9	4
Economic Development	123	81
Total expenses	132	85
Change in net position	42	1,385
Net position, July 1	1,502	117
Net position, June 30	\$ 1,544	\$ 1,502

The Authority's net position increased by approximately \$42,000 over fiscal year 2022. In alignment with the objectives of its King's Creek Commerce initiatives, the Authority entered an agreement with a company to lease 250 acres of land owned by the Authority to construct and operate a solar facility. In addition, the operator will continue to pay \$15,000 annually to the Authority. The increase in net position is representative of the base fee in addition to the \$15,000 annual payment due as of June 30, 2023.

**Table III**  
**Capital Assets (in thousands)**

	Governmental Activities	
	2023	2022
Land and land improvements	\$ 1,350	\$ 1,350
Total	\$ 1,350	\$ 1,350

#### **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide our members and creditors with a general overview of the Authority's finances and to display the Authority's accountability for the money it receives. If you have any questions or need other information regarding the Authority, please contact Mr. Jim Noel, EVRIFA Director at [jnoel@hamptonroadsalliance.com](mailto:jnoel@hamptonroadsalliance.com).

**Eastern Virginia Regional Industrial Facilities Authority****Statement of Net Position***June 30, 2023*

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 121,146
Grants and Accounts Receivables	73,701
Prepaid Expenses	781
Land	1,350,000
<b>Total Assets</b>	<u>1,545,628</u>
<b>Liabilities</b>	
Accounts Payable	<u>1,972</u>
<b>Total Liabilities</b>	1,972
<b>Net Position</b>	
Net Investment in Capital Assets	1,350,000
Restricted: Kings Creek Commerce	99,019
Unrestricted	94,637
<b>Total Net Position</b>	<u>\$ 1,543,656</u>

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



**Exhibit 2**

**Eastern Virginia Regional Industrial Facilities Authority**  
Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General and Administrative	\$ (8,357)	\$ -	\$ 30,000	21,643
Economic Development	(123,299)	8,750	134,935	20,386
<b>Total</b>	<b>\$ (131,656)</b>	<b>\$ 8,750</b>	<b>\$ 164,935</b>	<b>42,029</b>
<b>Change in Net Position</b>				42,029
<b>Net Position, Beginning of Year</b>				1,501,627
<b>Net Position, End of Year</b>				<b>\$ 1,543,656</b>

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

**Exhibit 3****Eastern Virginia Regional Industrial Facilities Authority**

Balance Sheet - Governmental Fund

June 30, 2023

	<u><b>General Fund</b></u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 121,146
Grants Receivable	64,941
Accounts Receivable	8,760
Prepaid Expenses	<u>781</u>
<b>Total Assets</b>	195,628
<b>Liabilities</b>	
Accounts Payable	<u>1,972</u>
<b>Total Liabilities</b>	<u>1,972</u>
<b>Fund Balance</b>	
Committed	99,019
Unassigned	<u>94,637</u>
<b>Total Fund Balance</b>	<u>193,656</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 195,628</u></u>
<b>Reconciliation of Balance Sheet of Governmental Fund to Statement of Net Position</b>	
<b>Fund Balance - General Fund</b>	\$ 193,656
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	<u>1,350,000</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,543,656</u></u>

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

**Exhibit 4****Eastern Virginia Regional Industrial Facilities Authority**

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund

Year Ended June 30, 2023

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental Revenue - Localities Annual Dues	\$ 30,000
<b>King Creek Commerce Project:</b>	
Intergovernmental Revenue - Locality Contributions	47,500
Intergovernmental Revenue - State	87,435
Charges for Services	8,750
<b>Total Revenues</b>	<u><b>173,685</b></u>
<b>Expenditures</b>	
General and Administrative	8,357
Economic Development:	
<u>King Creek Commerce Project</u>	
Accounting Services	3,863
Legal Services	3,451
Environmental Monitoring	28,550
Project Development	87,435
Total Economic Development	<u>123,299</u>
<b>Total Expenditures</b>	<u><b>131,656</b></u>
<b>Excess of Revenues Over Expenditures</b>	42,029
<b>Fund Balance, Beginning of Year</b>	<u>151,627</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 193,656</u></u>
<b>Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities</b>	
Excess of Revenues Over Expenditures - General Fund	\$ 42,029
No Reconciling Items	<u>-</u>
Change in Net Position	<u><u>\$ 42,029</u></u>

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

# **Eastern Virginia Regional Industrial Facility Authority**

## **Notes to the Financial Statements**

### **Year Ended June 30, 2023**

#### **1. Nature of the Organization**

The Eastern Virginia Regional Industrial Facility Authority (the "Authority") was created under the provision of Chapter 64 of Title 15.2 of the Code of Virginia, as amended (the "Act"), to promote economic development in the participants' geographical region on a cooperative basis. The Act authorizes the Authority to develop, construct, improve, equip, and maintain facilities for industrial, commercial, or other purposes to expend funds as may be available to it for developing such facilities, to enter into contracts of any kind with respect to carrying out its powers under the Act, to accept funds and property from counties, cities, and towns and use the funding for any of the purposes for which the Authority is created. The Authority is a political subdivision of the Commonwealth of Virginia that is governed by a Board of Directors. Each member locality appoints two Board members, of which one shall be an elected member of the locality's governing body. Participating members currently include the Cities of Chesapeake, Franklin, Hampton, Newport News, Poquoson, and Williamsburg and the Counties of Gloucester, Isle of Wight, James City, and York.

#### **2. Summary of Significant Accounting Policies**

##### Basis of Accounting

The government-wide 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 net position of a government is displayed in three categories – net investment in capital assets, restricted, and unrestricted. Also included in the Statement of Net Position are long-term debt and obligations.

Governmental fund financial statements are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current position. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if collected within 60 days after year-end. Expenditures are recognized when the related fund liability is incurred.

When both restricted and unrestricted resources are available for a particular use, it is the Authority's policy to use restricted resources first.

The Authority adopts an annual budget for its General Fund. The budget has been prepared on a basis consistent with the modified accrual basis of accounting and accounting principles generally accepted in the United States of America. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

##### Capital Assets

Land is reported at historical cost or estimated historical cost, and is considered a non-depreciable asset.

##### Fund Balance

The Authority's fund balance is comprised of committed and unassigned balances. Fund balances are reported as committed include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Authority's committed fund balance represents locality contributions that the Board has prescribed to be used for the Authority's Kings Creek Commerce project. With the proper vote, the Board may uncommit or redirect the use of funding.

Unassigned represents fund balances that has not been restricted, committed, or assigned.

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

### 3. Deposits

On June 30, 2023, the carrying value of the Authority's deposits was \$121,146. The Authority's funds are managed by the Hampton Roads Alliance, its fiscal agent.

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

### 4. Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

Governmental Activities:

Capital assets not being depreciated (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,350	-	-	\$ 1,350
Total capital assets not being depreciated	1,350	-	-	1,350
Governmental activities capital assets, net	\$ 1,350	-	-	\$ 1,350

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Eastern Virginia Regional Industrial Facility Authority**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2023**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
<b>Operating revenues</b>				
Intergovernmental Revenue - State	\$ 96,250	\$ 96,250	\$ 87,435	\$ (8,815)
Intergovernmental Revenue - Localities Annual Dues	30,000	30,000	30,000	-
Intergovernmental Revenue - Locality Contributions	47,500	47,500	47,500	-
Charges for Services	15,000	15,000	8,750	(6,250)
<b>Total operating revenues</b>	<u>188,750</u>	<u>188,750</u>	<u>173,685</u>	<u>(15,065)</u>
<b>Operating expenditures</b>				
General and Administrative	30,000	30,000	8,357	21,643
Economic Development	158,750	158,750	123,299	35,451
<b>Total operating expenditures</b>	<u>188,750</u>	<u>188,750</u>	<u>131,656</u>	<u>57,094</u>
<b>Excess of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,029</u>	<u>\$ 42,029</u>

**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 Board of Directors  
Eastern Virginia Regional Industrial Facility Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"), the financial statements of the governmental activities and the General Fund of the Eastern Virginia Regional Industrial Facility Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 4, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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



**Purpose of this Report**

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

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The script is cursive and fluid, with the letters "Cherry" and "Bekaert" being more prominent than "LLP".

Virginia Beach, Virginia  
December 4, 2023