

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

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

Financial Statements and Supplemental Information

Years Ended June 30, 2018 and 2017

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Financial Statements and Supplemental Information
Years Ended June 30, 2018 and 2017

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Economic Development Authority of York County, Virginia (the "Authority"), a component unit of the County of York, Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

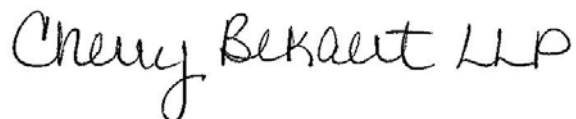
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Conduit Debt Outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Conduit Debt Outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2018, 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.

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

Virginia Beach, Virginia
September 30, 2018

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

This section of the Economic Development Authority of York County, Virginia's (the "Authority") annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2018 and 2017. Please read it in conjunction with the Authority's financial statements following this section.

FINANCIAL HIGHLIGHT

- The Authority had an increase in total Net Position during FY2018 of \$187,983 or 5%. A significant portion of the FY2018 Authority's net position, \$3,293,308, remains unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS

Summary of Statement of Net Position at:	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Current assets	\$ 815,709	\$ 781,268	\$ 625,518
Noncurrent assets	2,658,295	2,543,701	2,095,940
Capital assets	<u>672,400</u>	<u>701,341</u>	<u>730,282</u>
Total assets	<u>\$ 4,146,404</u>	<u>\$ 4,026,310</u>	<u>\$ 3,451,740</u>
Current liabilities	\$ 42,298	\$ 77,997	\$ 181,977
Noncurrent liabilities	<u>138,398</u>	<u>170,588</u>	<u>182,334</u>
Total liabilities	<u>180,696</u>	<u>248,585</u>	<u>364,311</u>
Net investment in capital assets	672,400	701,341	730,282
Unrestricted	<u>3,293,308</u>	<u>3,076,384</u>	<u>2,357,147</u>
Total net position	<u>3,965,708</u>	<u>3,777,725</u>	<u>3,087,429</u>
Total liabilities and net position	<u>\$ 4,146,404</u>	<u>\$ 4,026,310</u>	<u>\$ 3,451,740</u>

At the close of the 2018 and 2017 fiscal years, the Authority's assets exceeded liabilities by \$3,965,708 and \$3,777,725, respectively. In fiscal year 2018, the Authority's total net position increased by \$187,983, primarily due to fewer economic development incentives. A significant portion of the Authority's net position, \$3,293,308, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

FINANCIAL ANALYSIS, Continued

In fiscal year 2017, the Authority's total net position increased by \$690,296, primarily due to significant contributions by the County of York, Virginia (the "County") offset by increased economic development incentives. A significant portion of the Authority's net position, \$3,076,384, was unrestricted.

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

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Operating Revenues			
Intergovernmental	\$ 314,160	\$ 901,250	\$ 49,250
Waterfront rent	239,319	238,481	251,840
Gain on land held for resale	48,366	-	12,840
Administrative fees	141,523	139,509	139,668
Miscellaneous	5,957	206,662	156,020
Total operating revenues	<u>749,325</u>	<u>1,485,902</u>	<u>609,618</u>
Operating Expenses			
Waterfront operations	239,550	232,481	230,421
Economic development	241,576	479,844	373,689
Other fees and miscellaneous	86,286	85,287	88,654
Total operating expenses	<u>567,412</u>	<u>797,612</u>	<u>692,764</u>
Operating Income (Loss)	<u>181,913</u>	<u>688,290</u>	<u>(83,146)</u>
Total Nonoperating Revenues	<u>6,070</u>	<u>2,006</u>	<u>311</u>
Change in Net Position	<u>187,983</u>	<u>690,296</u>	<u>(82,835)</u>
Net position, beginning of the year	<u>3,777,725</u>	<u>3,087,429</u>	<u>3,170,264</u>
Net position, end of the year	<u><u>\$ 3,965,708</u></u>	<u><u>\$ 3,777,725</u></u>	<u><u>\$ 3,087,429</u></u>

The County contributes to the operations of the Authority on an annual basis and makes economic development contributions for certain incentives, which vary from one year to the next. These contributions are reflected as intergovernmental revenues. The County contributed \$314,160 in fiscal year 2018 for operations and other economic development. In fiscal year 2017, the County contributed \$901,250 for property on George Washington Memorial Highway and other economic development.

In fiscal year 2017, rental and lease income decreased due to the end of a temporary lease and expenses increased from 2016 due to higher than normal repair and maintenance expenditures for Riverwalk Landing. Two nonrefundable deposits were received in 2017 as a result of terminated contracts. Miscellaneous revenue increased from 2016 as a result of contributions for the Greater Williamsburg Partnership (GWP) which equal the expenses incurred in fiscal year 2017 for the GWP.

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

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Land improvements	\$ 5,443	\$ 6,083	\$ 6,723
Infrastructure	<u>666,957</u>	<u>695,258</u>	<u>723,559</u>
Total	<u>\$ 672,400</u>	<u>\$ 701,341</u>	<u>\$ 730,282</u>

Capital assets at June 30, 2018 reflect assets that provide water and sewer access to property owned by the Authority. Additional information can be found in note 4 to the basic financial statements.

NOTES PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY

<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
<u>\$ 96,667</u>	<u>\$ 116,667</u>	<u>\$ 136,667</u>

At June 30, 2018 and 2017, the notes payable to the County relates to the Riverwalk Landing direct financing lease.

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

ECONOMIC FACTORS

- The Authority and Office of Economic Development (OED) worked closely with Marina Electrical Equipment (MEE) to facilitate their acquisition of the Altria York Manufacturing Facility located at 1715 Merrimac Trail. MEE purchased the 146,710 sq. ft. facility in September 2017 to accommodate their rapid growth and need for more manufacturing space. MEE manufactures weather proof electrical equipment for marinas and their customer base is worldwide. The building had been vacant since 2011.
- The OED, in partnership with the Authority, the York County Chamber of Commerce, and the York County School Division (YCSD) started a York County Workforce Development initiative in October 2017. A Workforce Development Symposium was held for York County employers in February 2018 and the YCSD shortly thereafter formed a Business Council to assist them with workforce preparedness programs. The YCSD has established a goal of having every student have a meaningful work experience before graduation by 2020.
- In February 2018, York County, along with the five other Peninsula localities and Gloucester County, was awarded a GO Virginia grant of \$150,000. The grant supports the first phase of developing an Unmanned Systems Testing and Demonstration Facility, and light industrial park on 462 acres of surplus state property located in York County. The grant also funds assistance for the participating communities to form a Regional Industrial Facility Authority, which will allow them to share tax revenue generated from the development of the facility and industrial park.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

REQUESTS FOR INFORMATION

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

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

Statements of Net Position

	<u>6/30/2018</u>	<u>6/30/2017</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 650,352	\$ 723,042
Accounts receivable	127,107	38,226
Due from Primary Government - York County	18,250	-
Investment in direct finance lease, current	20,000	20,000
Total current assets	<u>815,709</u>	<u>781,268</u>
Noncurrent assets:		
Restricted cash and equivalents	14,510	14,510
Land held for resale	2,567,102	2,432,396
Prepaid expense	16	17
Investment in Waterside Capital Corporation	-	111
Investment in direct finance lease, net current	76,667	96,667
Depreciable capital assets:		
Land improvements	9,604	9,604
Infrastructure	850,913	850,913
Accumulated depreciation	<u>(188,117)</u>	<u>(159,176)</u>
Total noncurrent assets	<u>3,330,695</u>	<u>3,245,042</u>
Total assets	<u>\$ 4,146,404</u>	<u>\$ 4,026,310</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,583	\$ 45,173
Due to Primary Government - York County	18,715	12,824
Note payable to Primary Government - York County, current	20,000	20,000
Total current liabilities	<u>42,298</u>	<u>77,997</u>
Noncurrent liabilities:		
Deposits payable	24,510	16,510
Unearned revenues	37,221	57,411
Note payable to Primary Government - York County, net current	76,667	96,667
Total noncurrent liabilities	<u>138,398</u>	<u>170,588</u>
Total liabilities	<u>180,696</u>	<u>248,585</u>
NET POSITION		
Net investment in capital assets	672,400	701,341
Unrestricted	<u>3,293,308</u>	<u>3,076,384</u>
Total net position	<u>3,965,708</u>	<u>3,777,725</u>
Total liabilities and net position	<u>\$ 4,146,404</u>	<u>\$ 4,026,310</u>

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

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

	Year Ended	
	<u>6/30/2018</u>	<u>6/30/2017</u>
Operating Revenues		
Intergovernmental	\$ 314,160	\$ 901,250
Waterfront and other rent	239,318	232,480
Gain on sale of land held for resale	48,366	-
Lease income	1	6,001
Industrial revenue bond administrative fees	141,523	139,509
Miscellaneous	<u>5,957</u>	<u>206,662</u>
Total operating revenues	<u>749,325</u>	<u>1,485,902</u>
Operating Expenses		
Waterfront operations	120,511	138,498
Waterfront rentals	119,039	93,983
Economic development incentives	241,576	479,844
Professional fees	16,747	23,178
Board member fees	3,500	3,900
Miscellaneous	37,098	29,268
Depreciation	<u>28,941</u>	<u>28,941</u>
Total operating expenses	<u>567,412</u>	<u>797,612</u>
Operating Gain	<u>181,913</u>	<u>688,290</u>
Nonoperating Revenues (Expenses)		
Interest income	12,350	8,286
Interest expense	<u>(6,280)</u>	<u>(6,280)</u>
Total nonoperating revenues, net	<u>6,070</u>	<u>2,006</u>
Change in Net Position	187,983	690,296
Total net position, beginning of year	<u>3,777,725</u>	<u>3,087,429</u>
Total net position, end of year	<u>\$ 3,965,708</u>	<u>\$ 3,777,725</u>

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

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

	Year Ended	
	<u>6/30/2018</u>	<u>6/30/2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Primary Government - York County	\$ 295,910	\$ 901,250
Receipts from rental income	206,748	384,161
Other receipts	147,480	335,171
Payments for land held for resale	(162,840)	(467,818)
Payments to suppliers for goods and services	(562,669)	(868,750)
Payments to Board members for services	(3,500)	(3,900)
Net cash provided by (used in) operating activities	<u>(78,871)</u>	<u>280,114</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	<u>(6,280)</u>	<u>(6,280)</u>
Net cash used in capital and related financing activities	<u>(6,280)</u>	<u>(6,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>12,461</u>	<u>8,342</u>
Net cash provided by investing activities	<u>12,461</u>	<u>8,342</u>
Net change in cash and cash equivalents	(72,690)	282,176
Cash and cash equivalents, beginning of year	<u>737,552</u>	<u>455,376</u>
Cash and cash equivalents, end of year	<u>\$ 664,862</u>	<u>\$ 737,552</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:		
Cash and equivalents	\$ 650,352	\$ 723,042
Restricted cash and equivalents	<u>14,510</u>	<u>14,510</u>
Cash and cash equivalents, end of year	<u>\$ 664,862</u>	<u>\$ 737,552</u>
Reconciliation of operating gain to net cash provided by (used in) operating activities:		
Operating gain	\$ 181,913	\$ 688,290
Adjustments to reconcile operating gain to net cash provided by (used in) operating activities:		
Depreciation	28,941	28,941
Changes in assets and liabilities:		
Accounts receivable	(88,881)	125,789
Due from Primary Government - York County	(18,250)	637
Prepaid expense	1	1
Land held for resale	(134,706)	(467,818)
Accounts payable	(41,590)	(65,886)
Retainage payable	-	(5,218)
Unearned revenues	(20,190)	8,254
Deposits payable	8,000	-
Collaborative project deposit	-	(45,700)
Due to Primary Government - York County	5,891	12,824
Net cash provided by (used in) operating activities	<u>\$ (78,871)</u>	<u>\$ 280,114</u>
Noncash capital and financing activities:		
Change in direct financing lease and corresponding change in note payable to primary government - York County	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Change in fair value of Waterside Capital Corporation investment	<u>\$ (111)</u>	<u>\$ (56)</u>

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

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

Notes to Basic Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Economic Development Authority of York County, Virginia (the "Authority") was created as a tax-exempt political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of York, Virginia (the "County") on July 6, 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, duly enacted into law as Chapter 33, Section 15.1-1373, et seq., of the *Code of Virginia* (1950), as amended. The Authority is governed by seven directors appointed by the Board of Supervisors of the County. It is authorized to acquire, own, lease and dispose of properties in order to promote industry and develop trade by inducing enterprises to locate and remain in Virginia. In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under such bonds may be retained by the Authority, or it may be assumed by the enterprises for which the facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to the bond trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the County, the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be collateralized by a deed of trust on those facilities.

The Reporting Entity

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

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

Basis of Accounting

The Authority's operations are accounted for as a proprietary fund used to account for the activities of the Authority as noted above. The financial statements are presented on the accrual basis of accounting, using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

Net Position

Net position may consist of the following components based on the extent of constraints upon the use of the resources:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt incurred to finance the capital assets.

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

Notes to Basic Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted – Reported when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

Unrestricted – Consists of funds that are available for any purpose.

Use of Estimates

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

Pass-thru Financing Leases

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

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

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets or liabilities. Outstanding conduit debt amounted to \$79,606,250 and \$80,812,250 at June 30, 2018 and 2017, respectively.

Cash Equivalents

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

Restricted Cash and Equivalents

At June 30, 2018 and 2017, restricted cash consisted of tenant security deposits of \$14,510.

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

Notes to Basic Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Receivables

At June 30, 2018, receivables consisted of VDOT land sale revenue of \$76,500, Riverwalk Landing rental payments and interest of \$50,607, and County contributions of \$18,250 classified as Due from Primary Government – York County. At June 30, 2017, receivables consisted of Riverwalk Landing rental payments and interest of \$38,226. All outstanding receivables at June 30 have been subsequently collected; therefore, an allowance was not deemed necessary.

Land Held for Resale

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

Capital Assets

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

Unearned Revenues

At June 30, 2018 unearned revenues consisted of lease payments paid in advance of \$37,221. At June 30, 2017 unearned revenues consisted of bond administrative fees paid in advance of \$49,354 and lease payments paid in advance of \$8,057.

2. DEPOSITS AND INVESTMENTS

The Authority's cash and investments consisted of:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Bank deposits	\$ 259,144	\$ 337,457
Local Government Investment Pool (LGIP)	405,718	400,095
Waterside Capital Corporation Stock	-	111
	<u>\$ 664,862</u>	<u>\$ 737,663</u>
 <u>Reconciliation to Statement of Net Position:</u>		
Cash and equivalents	\$ 650,352	\$ 723,042
Restricted cash and equivalents	14,510	14,510
Investment in Waterside Capital Corporation (WSCC)	-	111
	<u>\$ 664,862</u>	<u>\$ 737,663</u>

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

Notes to Basic Financial Statements

June 30, 2018 and 2017

2. DEPOSITS AND INVESTMENTS, Continued

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements and the LGIP. LGIP is managed in a manner consistent with the "2a7 like pool" requirements of accounting principles generally accepted in the United States of America (GAAP). The portfolio securities are valued by the amortized cost method.

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

The Authority chose to write off the value that was associated with the WSCC stock because the organization is defunct.

Credit Risk

As of June 30, 2018 and 2017, the Authority's investment in the LGIP was rated AAAm by Standard & Poor's.

3. INVESTMENT IN DIRECT FINANCE LEASE

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

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Minimum lease payments to be received	\$ 127,020	\$ 153,300
Less unearned revenues	<u>(30,353)</u>	<u>(36,633)</u>
Net investment in direct finance lease	<u>\$ 96,667</u>	<u>\$ 116,667</u>
Classified as:		
Current	\$ 20,000	\$ 20,000
Noncurrent	<u>76,667</u>	<u>96,667</u>
Total	<u>\$ 96,667</u>	<u>\$ 116,667</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Notes to Basic Financial Statements
June 30, 2018 and 2017

3. INVESTMENT IN DIRECT FINANCE LEASE, Continued

Minimum future rental receipts under the direct financing lease as of June 30, 2018 are:

<u>Year</u>	
2019	\$ 26,280
2020	26,280
2021	26,280
2022	26,280
2023	21,900
Total	<u>\$ 127,020</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets being depreciated:				
Land improvements	\$ 9,604	\$ -	\$ -	\$ 9,604
Infrastructure	850,913	-	-	850,913
Total capital assets being depreciated	<u>860,517</u>	<u>-</u>	<u>-</u>	<u>860,517</u>
Less accumulated depreciation for:				
Land improvements	(3,521)	(640)	-	(4,161)
Infrastructure	(155,655)	(28,301)	-	(183,956)
Total accumulated depreciation	<u>(159,176)</u>	<u>(28,941)</u>	<u>-</u>	<u>(188,117)</u>
Total capital assets being depreciated, net	<u>\$ 701,341</u>	<u>\$ (28,941)</u>	<u>\$ -</u>	<u>\$ 672,400</u>

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets being depreciated:				
Land improvements	\$ 9,604	\$ -	\$ -	\$ 9,604
Infrastructure	850,913	-	-	850,913
Total capital assets being depreciated	<u>860,517</u>	<u>-</u>	<u>-</u>	<u>860,517</u>
Less accumulated depreciation for:				
Land improvements	(2,881)	(640)	-	(3,521)
Infrastructure	(127,354)	(28,301)	-	(155,655)
Total accumulated depreciation	<u>(130,235)</u>	<u>(28,941)</u>	<u>-</u>	<u>(159,176)</u>
Total capital assets being depreciated, net	<u>\$ 730,282</u>	<u>\$ (28,941)</u>	<u>\$ -</u>	<u>\$ 701,341</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Notes to Basic Financial Statements
June 30, 2018 and 2017

5. NOTE PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY

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

At June 30, 2018 and 2017, the outstanding principal balance on the note payable was \$96,667 and \$116,667 respectively.

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

<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
\$ 116,667	\$ -	\$ (20,000)	\$ 96,667	\$ 20,000

<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
\$ 136,667	\$ -	\$ (20,000)	\$ 116,667	\$ 20,000

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 20,000	\$ 6,280
2020	20,000	6,280
2021	20,000	6,280
2022	20,000	6,280
2023	16,667	5,233
Total	<u>\$ 96,667</u>	<u>\$ 30,353</u>

6. TRANSACTIONS WITH PRIMARY GOVERNMENT - YORK COUNTY

Intergovernmental revenues received from York County and related due to and due from the Primary Government consisted of the following:

<u>Purpose</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Operating contributions	\$ 51,250	\$ 51,250
Contribution for purchase of land	-	500,000
Contribution for capital commitments	262,910	350,000
Due from Primary Government - York County	18,250	-
Due to Primary Government - York County	18,715	12,824

In fiscal year 2017, \$12,824 due to the County and in fiscal year 2018, \$18,715 due to the County were primarily due to the Riverwalk Landing Lease agreement. In fiscal year 2018, \$18,250 due from the County was due to timing of the operating contributions.

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

Notes to Basic Financial Statements
June 30, 2018 and 2017

7. WATERFRONT RENTAL INCOME

In March 2003, the Authority executed a lease agreement with the County for the Yorktown Waterfront property for \$1 per year with a term of 30 years. Under the terms of the agreement, the Authority revitalized the property to include a restaurant, office and retail space, parking facilities, travel ways, landscaping and other improvements. Upon completion of the Yorktown Revitalization Project, there were 11 facilities for lease within the development, referred to as Riverwalk Landing. The Authority executed subleases for the facilities with annual rents of \$239,318 and \$232,480, respectively, for the fiscal years ended June 30, 2018 and 2017. Section 4 of the lease provides that the Authority will remit all rents and profits realized from any such sublease to the County to be managed and made available for expenditures for maintenance of the property and redemption of the bonds issued for the development.

8. CONTINGENT LIABILITY

In fiscal year 2016, the Authority passed a resolution at its January 26, 2016 meeting authorizing the execution of a Financing Agreement for the acquisition of a 248-acre tract of land and the investment in the necessary infrastructure improvements. The Financing Agreement required approval of a Support Agreement by the Authority and the County's Board of Supervisors, which was approved on February 16, 2016. The principal and interest shall be payable from the revenues derived by the Authority from the sale or leasing of the project and payments made to the Authority by the County pursuant to the Support Agreement dated as of February 1, 2016 between the Authority and the County. A line of credit of \$8,000,000 was approved with Towne Bank and was structured as an interest-only line of credit that can be drawn-down as needed, without subordinating the land. The interest will be billed and paid monthly, with a maturity date of three years after the closing date of the line of credit. At maturity, any remaining principal balance on the line of credit may be converted to permanent repayment for up to a 10-year term. As of June 30, 2018, the available balance of the line of credit remains at \$8,000,000.

9. SUBSEQUENT EVENT

The Authority owns a parcel of property at the intersection of Siege Lane and George Washington Memorial Highway, consisting of approximately 2.8 acres and designated as 9219 George Washington Memorial Highway. The County desires to obtain it in connection with the Falcon Crest drainage project for the improvement of stormwater drainage in Edgehill subdivision and adjacent areas. The Authority has proposed a land exchange whereby the County would convey to the Authority a portion of a pump station parcel which has already been subdivided from the parcel at 6710 George Washington Memorial Highway where the County's Pump Station No. 28 is located. This land exchange occurred on July 25, 2018.

SUPPLEMENTAL INFORMATION

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

Schedule of Conduit Debt Outstanding

<u>Issue Name</u>	<u>Facility Description</u>	<u>Date of Original Issue</u>	<u>Trustee</u>	<u>Bonds Aggregate Amount at Issue</u>	<u>Aggregate Outstanding Payable at 6/30/2018</u>	<u>Aggregate Outstanding Payable at 6/30/2017</u>
Pollution Control Revenue Bonds (VEPCO), Series 2009A	Pollution control equipment and facility related to the conversion of the Yorktown Power Station	5/19/2009	US Bank	\$ 70,000,000	70,000,000	70,000,000
Educational Facilities Revenue Bonds, Series 2009	York River Academy Mixed Use Project	7/1/2009	Towne Bank	\$ 3,000,000	836,250	881,250
Qualified Non-Profit Revenue and Refunding Bond, Series 2013	Colonial Community Services, Inc. Project	7/19/2013	Virginia Commonwealth Bank	\$ 2,750,000	1,970,000	2,136,000
Lease Revenue Refunding Bonds (County of York, Virginia), Series 2014	Yorktown Waterfront Revitalization project; communication system improvements; fire and rescue equipment	2/27/2014	Wells Fargo Bank	\$ 9,865,000	<u>6,800,000</u>	<u>7,795,000</u>
				Total	<u>\$ 79,606,250</u>	<u>\$ 80,812,250</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of York County, Virginia, (the "Authority"), a component unit of the County of York, Virginia, as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated September 30, 2018.

Internal Control over Financial Reporting

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

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

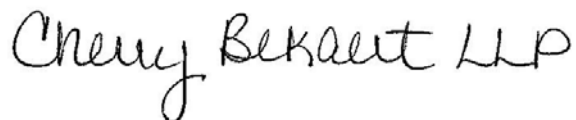
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 "Cheryl Bekaert LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
September 30, 2018