

# **Economic Development Authority of the City of Richmond, Virginia**

**(A Component Unit of the City of Richmond, Virginia)**

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**Financial Statements**

**Year Ended June 30, 2017**



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## **Independent Auditors' Report**

Honorable Members of the Board of Directors  
Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Richmond, Virginia

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Economic Development Authority of the City of Richmond, Virginia, a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of the City of Richmond, Virginia'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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion 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 and 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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 opinion.

### ***Opinion***

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Economic Development Authority of the City of Richmond, Virginia's basic financial statements. The accompanying combining statement of fiduciary assets and liabilities and the combining statement of changes in fiduciary assets and liabilities – agency funds on pages 26 - 29 are not a required part of the financial statements. These statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, on our consideration of the Economic Development Authority of the City of Richmond, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Economic Development Authority of the City of Richmond, Virginia's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**Richmond, Virginia  
November 9, 2017**

## Management's Discussion and Analysis

Management's Discussion and Analysis of the financial performance of the Economic Development Authority of the City of Richmond, Virginia (Authority) provides an overview of the financial activities for the years ended June 30, 2017 and 2016. It should be read in conjunction with the financial statements.

### ***Overview of the financial statements***

The Authority receives operating funds from the rental of a parking garage. It also receives funds for managing loan portfolios of the City of Richmond, Virginia. The Authority acts as the fiscal agent and maintains separate fiduciary accounts for each of these portfolios.

### ***Government-wide statement of net position***

Following is a condensed statement of net position showing the net position of the Authority at June 30:

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 5,621,406	\$ 4,302,308
Property and equipment, net	14,708,419	16,446,229
Other assets	<u>22,281,377</u>	<u>22,614,613</u>
Total assets	<u>\$ 42,611,202</u>	<u>\$ 43,363,150</u>
Liabilities:		
Current liabilities	\$ 1,720,177	\$ 1,634,239
Revenues received in advance	1,552,506	1,995,839
Recoverable grant payable	30,805,000	31,415,000
Notes payable, long-term	<u>282,422</u>	<u>532,422</u>
Total liabilities	<u>34,360,105</u>	35,577,500
Net position	<u>8,251,097</u>	<u>7,785,650</u>
Total liabilities and net position	<u>\$ 42,611,202</u>	<u>\$ 43,363,150</u>

There was an increase in cash and cash equivalents of \$1,319,098, primarily due to funds received from the sale of a building on East Franklin Street.

There was a decrease in property, plant, and equipment of \$1,737,810, due to the disposition of the building on East Franklin Street.

There was a decrease in other assets of \$333,236, primarily due to payments received on the capital lease of the Stone Brewery property.

There was an increase in current liabilities of \$85,938, primarily due to the increase in the current portion of the grant payable to the City for the Stone project and the decrease of payables on the project.

There was a decrease in advance receipt of revenues of \$443,333, primarily due to the amortization of the Leigh Street Property naming rights.

There was a decrease in recoverable grant payable of \$610,000, primarily due to the payments made on the recoverable grant payable to the City of Richmond related to the Stone Brewery project.

**Economic Development Authority of the City of Richmond, Virginia  
Management's Discussion and Analysis**

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Following is a condensed statement of fiduciary assets and liabilities of the fiduciary funds at June 30:

	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ 8,582,869	\$ 9,215,603
Notes and interest receivable, net of allowance	4,049,316	4,071,094
Other current assets	-	6,479
Equipment, net	<u>332</u>	<u>566</u>
Total assets	<u>\$ 12,632,517</u>	<u>\$ 13,293,742</u>
Liabilities:		
Accounts payable	\$ 736	\$ -
Due to the City of Richmond	<u>12,631,781</u>	<u>13,293,742</u>
Total liabilities	<u>\$ 12,632,517</u>	<u>\$ 13,293,742</u>

There was a decrease in cash of \$632,734, primarily due to new loans made from the EDHLF program.

There was a decrease in notes and interest receivable of \$21,778, primarily due to new loans funded out of the EDHLF program

There was a decrease in amounts due to the City of Richmond of \$661,961, primarily due to funds expended on the CARE programs.

***Government-wide statement of activities***

Condensed statements of activities for fiscal years ended June 30 are as follows:

	<u>2017</u>	<u>2016</u>
Revenues:		
Grant from the City of Richmond	\$ 2,130,000	\$ 7,058,920
Rental income	851,743	1,061,598
Loan administration fees	36,450	36,900
Sponsorship fees	443,333	443,333
Naming rights fees	-	4,000,000
Interest on capital lease	1,347,947	-
Other	<u>639,336</u>	<u>110,449</u>
Total revenues	<u>\$ 5,448,809</u>	<u>\$ 12,711,200</u>
Expenses:		
Economic development incentives	\$ 2,188,920	\$ 6,025,000
Restoration grants	-	4,000,000
Building operations and maintenance	378,870	494,767
Depreciation	818,836	877,253
Interest	857,383	808,552
Other	<u>739,353</u>	<u>1,131,292</u>
Total expenses	<u>\$ 4,983,362</u>	<u>\$ 13,336,864</u>
Change in net position	<u>\$ 465,447</u>	<u>\$ (625,664)</u>

## **Economic Development Authority of the City of Richmond, Virginia Management's Discussion and Analysis**

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There was a decrease in restoration grants of \$4,000,000, primarily due to receiving the final two years' worth of funds for restoration of the Altria Theater all during 2016, thus no remaining funding for 2017 and thereafter.

Grant revenue from the City of Richmond, Virginia was exceeded by grant expenses by \$58,920, due to a timing difference between receipt of the grant revenue from the City and disbursement to the qualifying business.

The Authority has expanded its lending programs, which are operated in coordination with the City of Richmond's Department of Economic and Community Development. Operational costs of the programs are covered by the City. Any losses sustained in the lending programs are absorbed by the City or the relevant funding partner. The Authority receives fees adequate to cover its costs as well as audit fees associated with these activities. In summary, the outlook for the lending programs is favorable with a good likelihood of additional funding for loan programs. The Authority can reasonably expect that its costs will continue to be covered.

### ***Accomplishments and economic outlook***

During the year ended June 30, 2017, the Authority serviced the Commercial Area Revitalization Effort (CARE) Program for the City of Richmond. The CARE Program is designed to revitalize and return economic viability to older neighborhood districts, primarily in the City's low and moderate-income communities. The Extra CARE Program operates in non-CARE commercial areas in need of revitalization and/or stabilization. There were 70 CARE and Extra CARE rebates disbursed totaling \$260,713 during FY 2017. This public investment figure stimulated approximately \$6,800,000 in private investment, helped to create 29 jobs, retain 31 jobs, and support the opening of 9 new businesses.

The Authority administrators approximately \$22,000,000 in capitalized loan funds for the Financial Strategies Group (FSG) in the Department of Economic and Community Development. In FY17, the FSG's revolving loan programs closed \$220,000 (3 loans). The Economic Development & Housing Revolving Loan Fund (EDH-RLF) provided debt on one economic development real estate project with the total development costs in the amount of \$6,802,884. This individual housing project as part of the City of Richmond's comprehensive commitment to the redevelopment of the Highland Park neighborhood. When completed in FY18, this project will have added 32 single family affordable housing units for both seniors and first time homebuyers. The economic impact was a total of 7 new full time jobs because of the EDA's capital injections.

The Authority anticipates being a major player in the \$200 million North Church Hill neighborhood revitalization de-concentration of poverty project in that historic east end neighborhood in our City. This mixed-use & mixed-income initiative will be ongoing for the next 10 years with the creation of shopping, dining, retail, commercial and rooftops within the current Creighton public housing complex and the old Armstrong High School site. The first phase will be an \$11.9 million mixed-income development of 60 units of rental units on the Armstrong site. We anticipate funding up to \$3,800,000 from our EDH-RLF with the balance of funding coming from private debt, low income housing tax credits and developer/owner equity.

The Authority has worked in cooperation with the City of Richmond, the Department of Economic and Community Development and other private parties to operate the Bon Secours Washington Redskins Training Center. The Authority completed the facility in 2013. All of the first floor and approximately one-third of the second floor is under lease. The Authority began completion of the remainder of the second floor which will be used as an event space. The Bon Secours Washington Redskins Training Center is expected to continue to have a material positive impact on the statement of revenues, expenses and changes in net position of the Authority for the foreseeable future.

## **Economic Development Authority of the City of Richmond, Virginia Management's Discussion and Analysis**

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The Authority completed the first phase of the Stone Brewery Project during 2016. The Authority has entered into a twenty-five year lease on the property with the first lease payment being made in July, 2016. Monthly rental income is received from Stone Brewing, the majority of which is used to make payments to the City of Richmond. The Stone Brewery Project is expected to have a material positive impact on the statement of revenues, expense and changes in net position on the Authority for the foreseeable future. A second phase of the project is expected to start in 2018. The completed project should generate up to 288 jobs.

In cooperation with the City of Richmond, the EDA administered a façade project in the Arts District of the City. The project provided matching funds for restoration and improvements to facades of buildings in the Arts District.

### ***Requests for information***

This financial report is intended to provide a general overview of the Authority's finances. Any questions regarding this report or requests for additional financial information should be addressed to the Authority at 2401 W Leigh Street, Richmond, Virginia 23220.

***Government-Wide Financial Statements***

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 5,621,406	\$ 5,621,406
Other receivables	-	37,028	37,028
Prepaid expenses	-	21,088	21,088
Net investment in capital lease receivable	-	383,092	383,092
	<u>-</u>	<u>6,062,614</u>	<u>6,062,614</u>
Total current assets			
Noncurrent assets:			
Property and equipment, net of accumulated depreciation	2,075,199	12,633,220	14,708,419
Net investment in capital lease receivable, less current portion	-	21,516,389	21,516,389
Other noncurrent assets	-	323,780	323,780
	<u>2,075,199</u>	<u>34,473,389</u>	<u>36,548,588</u>
Total noncurrent assets			
	<u>\$ 2,075,199</u>	<u>\$ 40,536,003</u>	<u>\$ 42,611,202</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 847,675	\$ 847,675
Accrued interest payable	-	73,261	73,261
Deposits and reserves	-	56,000	56,000
Rents received in advance	-	22,000	22,000
Other revenue received in advance	-	111,241	111,241
Current portion of recoverable grants payable	-	610,000	610,000
	<u>-</u>	<u>1,720,177</u>	<u>1,720,177</u>
Total current liabilities			
Noncurrent liabilities:			
Recoverable grant payable	-	30,805,000	30,805,000
Notes payable, long term	-	282,422	282,422
Sponsorship fee received in advance	-	1,552,506	1,552,506
	<u>-</u>	<u>32,639,928</u>	<u>32,639,928</u>
Total current liabilities			
	<u>-</u>	<u>34,360,105</u>	<u>34,360,105</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,075,199	12,633,220	14,708,419
Unrestricted	-	(6,700,486)	(6,700,486)
Restricted	-	243,164	243,164
	<u>2,075,199</u>	<u>6,175,898</u>	<u>8,251,097</u>
Total net position			
	<u>\$ 2,075,199</u>	<u>\$ 40,536,003</u>	<u>\$ 42,611,202</u>
Total liabilities and net position			

See accompanying notes.

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Operating revenues:			
Sponsorship fee	\$ -	\$ 443,333	\$ 443,333
Rental income	-	851,743	851,743
Loan administration fees	-	36,450	36,450
Bond fees	-	1,616	1,616
Other	-	270,786	270,786
	<u>-</u>	<u>1,603,928</u>	<u>1,603,928</u>
Total operating revenues	-	1,603,928	1,603,928
Operating expenses:			
Personnel	-	206,895	206,895
Professional services	-	42,207	42,207
Internet and telephone services	-	18,497	18,497
Bad debt expense	-	107	107
Building operations and maintenance	-	378,870	378,870
Rent	-	40,560	40,560
Other	-	431,087	431,087
Depreciation	478,987	339,849	818,836
	<u>478,987</u>	<u>1,458,072</u>	<u>1,937,059</u>
Total operating expenses	478,987	1,458,072	1,937,059
Operating income (loss)	<u>(478,987)</u>	<u>145,856</u>	<u>(333,131)</u>
Non-operating revenues (expenses):			
Grants from the City of Richmond	-	2,130,000	2,130,000
Economic development incentives	-	(2,188,920)	(2,188,920)
Interest on capital lease	-	1,347,947	1,347,947
Gain on sale of fixed assets	-	243,352	243,352
Debt forgiveness	-	100,000	100,000
Interest expense	-	(857,383)	(857,383)
Interest income	-	23,582	23,582
	<u>-</u>	<u>798,578</u>	<u>798,578</u>
Total non-operating revenues	-	798,578	798,578
Change in net position	(478,987)	944,434	465,447
Net position, beginning of year	<u>2,554,186</u>	<u>5,231,464</u>	<u>7,785,650</u>
Net position, end of year	<u>\$ 2,075,199</u>	<u>\$ 6,175,898</u>	<u>\$ 8,251,097</u>

See accompanying notes.

***Governmental Fund Financial Statements***

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Balance Sheet**  
**June 30, 2017**

	<u>Theater Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ <u>          -</u>
<b>FUND BALANCE</b>	
Unassigned	\$ <u><u>          -</u></u>
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position:	
Total fund balance per Governmental Fund Balance Sheet	\$ <u>          -</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:	
Capital assets, cost	14,512,067
Accumulated depreciation	<u>(12,436,868)</u>
	<u>2,075,199</u>
Net position of governmental activities	<u><u>\$ 2,075,199</u></u>

**Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
Year Ended June 30, 2017**

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Revenues:		
Naming rights fees		\$ -
Expenditures:		
Restoration grant		-
	Change in fund balance	-
Fund balance, beginning of year		-
	Fund balance, end of year	\$ -

Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to statement of activities:

Change in fund balance, total governmental fund	\$ -
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:

Depreciation expense	(478,987)
Change in net position of governmental activities	\$ (478,987)

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Statement of Net Position**  
**Enterprise Funds**  
**June 30, 2017**

	Major Funds			Non-Major Fund	Total
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	RVA Works Fund	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,068,646	\$ 316,771	\$ 1,235,989	\$ -	\$ 5,621,406
Other receivables	225	-	36,803	-	37,028
Prepaid expenses	808	20,280	-	-	21,088
Net investment in capital lease receivable, current portion	-	-	383,092	-	383,092
Total current assets	<u>4,069,679</u>	<u>337,051</u>	<u>1,655,884</u>	<u>-</u>	<u>6,062,614</u>
Non-current assets:					
Property and equipment, net of accumulated depreciation	-	12,011,575	621,645	-	12,633,220
Net investment in capital lease receivable	-	-	21,516,389	-	21,516,389
Other noncurrent assets	-	323,780	-	-	323,780
Total noncurrent assets	<u>-</u>	<u>12,335,355</u>	<u>22,138,034</u>	<u>-</u>	<u>34,473,389</u>
Total assets	<u>\$ 4,069,679</u>	<u>\$ 12,672,406</u>	<u>\$ 23,793,918</u>	<u>\$ -</u>	<u>\$ 40,536,003</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 582,556	\$ 20,555	\$ 244,564	\$ -	\$ 847,675
Accrued interest payable	-	-	73,261	-	73,261
Reserves and deposits	-	56,000	-	-	56,000
Customer deposits	-	-	-	-	-
Rents received in advance	22,000	-	-	-	22,000
Other revenue received in advance	-	-	111,241	-	111,241
Current portion of recoverable grants payable	-	-	610,000	-	610,000
Total current liabilities	<u>604,556</u>	<u>76,555</u>	<u>1,039,066</u>	<u>-</u>	<u>1,720,177</u>
Noncurrent liabilities:					
Recoverable grants payable, long term	-	9,000,000	21,805,000	-	30,805,000
Notes payable, long term	-	-	282,422	-	282,422
Sponsorship fee received in advance	-	1,552,506	-	-	1,552,506
Total noncurrent liabilities	<u>-</u>	<u>10,552,506</u>	<u>22,087,422</u>	<u>-</u>	<u>32,639,928</u>
Total liabilities	<u>604,556</u>	<u>10,629,061</u>	<u>23,126,488</u>	<u>-</u>	<u>34,360,105</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	12,011,575	621,645	-	12,633,220
Unrestricted	3,221,959	(9,968,230)	45,785	-	(6,700,486)
Restricted	243,164	-	-	-	243,164
Total net position	<u>3,465,123</u>	<u>2,043,345</u>	<u>667,430</u>	<u>-</u>	<u>6,175,898</u>
Total liabilities and net position	<u>\$ 4,069,679</u>	<u>\$ 12,672,406</u>	<u>\$ 23,793,918</u>	<u>\$ -</u>	<u>\$ 40,536,003</u>

See accompanying notes.

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Enterprise Funds**  
**Year Ended June 30, 2017**

	Major Funds			Non-Major Fund	Total
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	RVA Works Fund	
Operating revenues:					
Sponsorship fee	\$ -	\$ 443,333	\$ -	\$ -	\$ 443,333
Rental income	22,000	771,874	-	57,869	851,743
Loan administration fees	36,450	-	-	-	36,450
Bond and other fees	1,616	-	-	-	1,616
Event and other income	-	270,786	-	-	270,786
Total operating revenues	60,066	1,485,993	-	57,869	1,603,928
Operating expenses:					
Personnel	28,576	140,978	-	37,341	206,895
Professional services	25,312	12,000	3,207	1,688	42,207
Internet and telephone services	-	5,089	-	13,408	18,497
Bad debt	-	-	-	107	107
Building operations and maintenance	-	341,455	-	37,415	378,870
Rent	-	40,560	-	-	40,560
Other	140,891	281,852	3,178	5,166	431,087
Depreciation	-	313,845	-	26,004	339,849
Total operating expenses	194,779	1,135,779	6,385	121,129	1,458,072
Operating income (loss)	(134,713)	350,214	(6,385)	(63,260)	145,856
Nonoperating revenues (expenses):					
Grants from the City of Richmond	2,130,000	-	-	-	2,130,000
Economic development incentives	(2,188,920)	-	-	-	(2,188,920)
Interest on capital lease	-	-	1,347,947	-	1,347,947
Gain on sale of fixed assets	-	-	-	243,352	243,352
Gain on debt forgiveness	-	-	100,000	-	100,000
Interest expense	-	-	(857,383)	-	(857,383)
Interest income	23,283	173	126	-	23,582
Total nonoperating revenues (expenses)	(35,637)	173	590,690	243,352	798,578
Income (loss) before transfers	(170,350)	350,387	584,305	180,092	944,434
Transfers in (out)	1,537,018	751,500	166,945	(2,455,463)	-
Change in net position	1,366,668	1,101,887	751,250	(2,275,371)	944,434
Net position, beginning of year	2,098,455	941,458	(83,820)	2,275,371	5,231,464
Net position, end of year	<u>\$ 3,465,123</u>	<u>\$ 2,043,345</u>	<u>\$ 667,430</u>	<u>\$ -</u>	<u>\$ 6,175,898</u>

See accompanying notes.

**Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)**

**Statement of Cash Flows**

**Enterprise Funds**

**Year Ended June 30, 2017**

	Major Funds			Non-Major Fund	Total
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	RVA Works Fund	
Cash flows from operating activities:					
Receipt from sponsorship fee	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts from rentals	22,000	771,874	-	49,612	843,486
Receipts from loan administration	36,000	-	-	-	36,000
Receipts from other activities	2,141	270,786	-	-	272,927
Payments for operating activities	(193,031)	(801,379)	(6,385)	(110,888)	(1,111,683)
Net cash provided (used) by operating activities	(132,890)	241,281	(6,385)	(61,276)	40,730
Cash flows from noncapital financing activities:					
Receipts from City of Richmond	2,130,000	-	15,528	-	2,145,528
Economic development incentive payments	(1,608,920)	-	-	-	(1,608,920)
Deposits to escrows and reserves	-	(74,656)	-	-	(74,656)
Transfers between funds	1,286,836	751,500	166,945	(2,205,281)	-
Net cash provided (used) by noncapital financing activities	1,807,916	676,844	182,473	(2,205,281)	461,952
Cash flows from investing activities:					
Interest earned	23,283	173	126	-	23,582
Cash flows from capital and related financing activities:					
Proceeds from sale of property	-	-	-	2,259,912	2,259,912
Cash paid for interest	-	-	(861,353)	-	(861,353)
Payments received on capital lease	-	-	1,885,288	-	1,885,288
Payments of recoverable grant payable	-	-	(585,000)	-	(585,000)
Payments made on note payable	-	-	(150,000)	-	(150,000)
Payments for capital assets	-	(1,362,348)	(393,665)	-	(1,756,013)
Net cash provided (used) by capital and related financing activities	-	(1,362,348)	(104,730)	2,259,912	792,834
Net increase (decrease) in cash and cash equivalents	1,698,309	(444,050)	71,484	(6,645)	1,319,098
Cash and cash equivalents, beginning of year	2,370,337	760,821	1,164,505	6,645	4,302,308
Cash and cash equivalents, end of year	\$ 4,068,646	\$ 316,771	\$ 1,235,989	\$ -	\$ 5,621,406
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (134,713)	\$ 350,214	\$ (6,385)	\$ (63,260)	\$ 145,856
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation	-	313,845	-	26,004	339,849
Bad debt	-	-	-	107	107
Change in assets and liabilities:					
Receivables	75	-	-	6,532	6,607
Prepaid expenses	(808)	-	-	2,938	2,130
Accounts payable	2,556	20,555	-	(18,808)	4,303
Customer deposits	-	-	-	(12,322)	(12,322)
Prepaid revenue	-	(443,333)	-	(2,467)	(445,800)
Net cash provided (used) by operating activities	\$ (132,890)	\$ 241,281	\$ (6,385)	\$ (61,276)	\$ 40,730

Non-cash capital and related financing activities:

During 2017, the RVA Works building was sold for approximately \$2,500,000. As part of the sale, a deposit of \$250,182 that had previously been paid by the Operating Fund was applied and \$100,000 of a note held by the Stone Brewery Fund was forgiven.

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2017**

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**ASSETS**

Cash and cash equivalents	\$ 8,582,869
Receivables, net of allowance for noncollectibles of \$136,053:	
Notes	4,028,337
Interest	20,979
Equipment, net of accumulated depreciation of \$21,768	<u>332</u>
Total assets	<u><u>\$ 12,632,517</u></u>

**LIABILITIES**

Due to the City of Richmond	\$ 12,631,781
Accounts payable	<u>736</u>
Total liabilities	<u><u>\$ 12,632,517</u></u>

## **Notes to Financial Statements**

### **1. Organization and Purpose**

The Economic Development Authority of the City of Richmond, Virginia (IDA) was created as a political subdivision of the Commonwealth of Virginia on August 28, 1972 by action of the City Council of the City of Richmond, Virginia (City). On April 24, 2006, City Council revoked the IDA's ability to issue debt until it could be reorganized. On June 26, 2006, City Council renamed the IDA as the Economic Development Authority of the City of Richmond, Virginia (Authority). On October 9, 2006, City Council adopted an ordinance that reconfigured the Authority. The Authority is governed by a seven member Board of Directors appointed by the Richmond City Council. The Authority is considered to be a component unit of the City of Richmond, Virginia.

The purpose of the Authority is to promote industry and develop trade by inducing manufacturing, industrial, government and commercial enterprise to locate in or remain in the City of Richmond, further the economic well-being of the citizens of the City, and benefit the inhabitants of the City, increase their commerce and promote their safety, health, welfare, convenience and prosperity. The Authority seeks to provide additional employment for all levels of the community, to promote economic stability and growth in the community, and to assist in meeting the City's development objectives.

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

#### ***Government-wide financial statements***

The government-wide financial statements include the statement of net position and the statement of activities. They report information on all of the non-fiduciary activities of the Authority. While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activity column of the government wide statements incorporates data from the governmental fund, while business-type activities incorporate data from the Authority's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. However, data from the fiduciary funds is not incorporated in the government-wide financial statements.

#### ***Fund financial statements***

The Authority utilizes the economic resources management focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity as displayed in the supplementary information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses, as appropriate.

#### ***Governmental fund – special revenue fund***

Governmental Funds are those through which most governmental functions typically are financed. A Special Revenue Fund is a governmental fund which accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Authority's Special Revenue Fund is the Theater Fund, which contains the current Altria Theater building and associated agreements for funding of the restoration of this historic property.

**Economic Development Authority of the City of Richmond, Virginia  
Notes to Financial Statements**

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***Enterprise funds***

The Authority is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the Operating Fund, the RVA Works Fund, the Leigh Street Fund, and the Stone Brewery Fund all utilize the enterprise fund method of accounting using the accrual basis. For the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Fiduciary funds (agency funds)***

The Commercial Area Revitalization Effort (CARE), Enterprise Zone Incentive Loans (EZIL), Contractor Assistance Program (CAP), Economic Development and Housing Loan Fund (EDHLF), and Revolving Loan Program (RLP) Funds are funds held by the Authority in an agency capacity for the City of Richmond and are reported utilizing the accrual basis of accounting.

***Cash and cash equivalents***

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include amounts in demand deposits, treasury bills, and savings accounts.

***Rent receivables/allowance for doubtful accounts***

Rent receivables are stated at book value utilizing an allowance for doubtful accounts. The allowance is computed using historical collection data.

***Property and equipment***

Property and equipment consist of land, buildings and improvements, and equipment. Property and equipment are recorded at cost or, if acquired through contribution, at fair value at the date of the gift. Depreciation expense is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful life of each class of depreciable assets is as follows:

Buildings and improvements	10 - 40 years
Equipment	5 - 7 years

***Recoverable grant payable***

Recoverable grants payable represent amounts provided by the City to the Authority for the construction of the Bon Secours Redskins Training Facility and the Stone Brewing Facility. These amounts are payable back to the City from revenues generated by the respective facilities. No formal repayment terms have been executed.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

***Net position***

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

***Subsequent events***

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 9, 2017, the date the financial statements were available to be issued.

**3. Activity in Current Fiscal Year**

***Leigh St. fund***

The Authority has worked in cooperation with the City of Richmond, the Department of Economic and Community Development and other private parties to develop the Bon Secours Washington Redskins Training Center. To that end, the Authority entered into a long-term lease with the Commonwealth of Virginia to lease 15.040 acres of land within the City as well as contracts to build the facility. The foregoing was facilitated by a recoverable grant from the City of Richmond in the amount of ten million dollars. The facility was substantially complete at fiscal year-end 2013. The development of this property and the leasing and naming rights agreements associated with the project are intertwined with an additional property known as the Westhampton School Property. The City of Richmond and the Board of the Authority have agreed to transfer ownership of the Westhampton School Property to the Authority, which in turn will lease it to a third party under a long term lease. Both facilities will have a material impact on the Authority's statement of net position. Additionally, the Bon Secours Washington Redskins Training Center is expected to have a material positive impact on the statement of activities of the Authority for the foreseeable future. At June 30, 2017, all payments on the naming rights agreement had been received and recorded in deferred revenue. Pursuant to the agreement, the amount of revenue recognized in the current fiscal year was \$443,333, with a remaining deferred amount of \$1,552,506 to be earned evenly through December 2020.

***Stone Brewery fund***

The Authority is working with the City of Richmond and Stone Brewing Co. to develop the Stone Brewery facility. To that end, the Authority has entered into certain real estate transactions as well as construction contracts to build the facility. The foregoing is being facilitated by certain grants from the State and a recoverable grant from the City of Richmond. During 2016 when construction was completed, the long-term use lease agreement between the Authority and Stone Brewing Co. became effective.

**4. Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the *Code of Virginia*. Under the provisions of the Act, banks and savings institutions holding public deposits in excess of the amounts insured by federal depository insurance 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. At June 30, 2017, the Authority had deposits, including agency fund deposits, in excess of federally insured limits of \$12,641,263.

**Economic Development Authority of the City of Richmond, Virginia**  
**Notes to Financial Statements**

**5. Property and Equipment**

A summary of changes in the Authority's property and equipment by fund are as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Governmental fund:				
Land	\$ 142,165	\$ -	\$ -	\$ 142,165
Buildings and improvements	<u>14,369,902</u>	<u>-</u>	<u>-</u>	<u>14,369,902</u>
	14,512,067	-	-	14,512,067
Accumulated depreciation	<u>(11,957,881)</u>	<u>(478,987)</u>	<u>-</u>	<u>(12,436,868)</u>
Total property and equipment governmental funds	<u>\$ 2,554,186</u>	<u>\$ (478,987)</u>	<u>\$ -</u>	<u>\$ 2,075,199</u>
Enterprise funds:				
Land	\$ 1,799,803	\$ -	\$ (329,580)	\$ 1,470,223
Buildings and improvements	17,450,912	1,362,348	(3,347,693)	15,465,567
Equipment	<u>546,145</u>	<u>-</u>	<u>(546,145)</u>	<u>-</u>
	19,796,860	1,362,348	(4,223,418)	16,935,790
Accumulated depreciation	<u>(5,904,817)</u>	<u>(339,849)</u>	<u>1,942,096</u>	<u>(4,302,570)</u>
Total property and equipment, enterprise funds	<u>\$ 13,892,043</u>	<u>\$ 1,022,499</u>	<u>\$ (2,281,322)</u>	<u>\$ 12,633,220</u>
Agency funds:				
Equipment	\$ 22,100	\$ -	\$ -	\$ 22,100
Accumulated depreciation	<u>(21,534)</u>	<u>(234)</u>	<u>-</u>	<u>(21,768)</u>
Total property and equipment, agency funds	<u>\$ 566</u>	<u>\$ (234)</u>	<u>\$ -</u>	<u>\$ 332</u>
Total of all funds:				
Land	\$ 1,941,968	\$ -	\$ (329,580)	\$ 1,612,388
Buildings and improvements	31,820,814	1,362,348	(3,347,693)	29,835,469
Equipment	<u>568,245</u>	<u>-</u>	<u>(546,145)</u>	<u>22,100</u>
	34,331,027	1,362,348	(4,223,418)	31,469,957
Accumulated depreciation	<u>(17,884,232)</u>	<u>(819,070)</u>	<u>1,942,096</u>	<u>(16,761,206)</u>
Total property and equipment, all funds	<u>\$ 16,446,795</u>	<u>\$ 543,278</u>	<u>\$ (2,281,322)</u>	<u>\$ 14,708,751</u>

Total depreciation expense for all funds for the year ended June 30, 2017 was \$819,070.

**6. Lease Receivable**

The Authority has executed a capital lease agreement with Koochenvagner's Brewing Co. (d/b/a Stone Brewing Co.) for land, building, and equipment. The capital lease has a value of \$41,621,369 at June 30, 2017, which equals the total of future minimum payments under the lease terms, which is \$1,740,266 annually over the term of the lease which extends through June 2041. The financial statements include unearned income of \$19,721,888 related to unearned interest on the capital lease receivable. Stone Brewing Co. made the July 2017 payment in June 2017; as a result, \$111,241 in interest revenue included in that payment has been deferred and is included in other revenue received in advance on the statement of net position.

**Economic Development Authority of the City of Richmond, Virginia  
Notes to Financial Statements**

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The following lists the components of the net investment in lease receivable as of June 30, 2017:

	<u>Minimum Lease Payments</u>	<u>Less Unearned Revenue</u>	<u>Net Investment</u>
Current portion	\$ 1,595,244	\$ (1,212,152)	\$ 383,092
Noncurrent portion	<u>40,026,125</u>	<u>(18,509,736)</u>	<u>21,516,389</u>
	<u>\$ 41,621,369</u>	<u>\$ (19,721,888)</u>	<u>\$ 21,899,481</u>

**7. Commitments and Contingencies**

The Authority has executed performance agreements with certain local businesses on behalf of the City, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded as stated in the performance agreements. At June 30, 2017, the Authority has outstanding performance agreements of approximately \$7,350,000 pending the accomplishment of the goals contained in the performance agreements.

**8. Notes Receivable - Agency Funds**

***Commercial area revitalization effort***

The Commercial Area Revitalization Effort (CARE) is a loan and rebate program created by the City's Office of Economic Development and the Authority, which is designed to revitalize and return economic viability to older neighborhood commercial strips. The loan program provides for three different types of loans to eligible borrowers. CARE loans are classified as minor (less than \$125,000), moderate (\$125,000-\$200,000), and substantial (more than \$200,000). Minor loans have a 90% Authority, 10% minimum owner equity financing structure. For the substantial and moderate loans, a private loan of 50% of the requested loan amount must be obtained prior to the Authority's approval of an additional 40%, leaving a minimum 10% owner equity. The Authority has a second secured position in the moderate and substantial loans. The rebate program is designed to revitalize and return economic viability to older neighborhood districts, primarily in low and moderate-income communities. The Authority will rebate up to certain percentages and dollar amounts of renovation and improvement expenses incurred for exterior and interior rehabilitation, security improvements, and the connection of a water lateral line and or the installation of a sprinkler system.

At June 30, 2017, the carrying value of loans receivable from the CARE program was \$206,332, less an uncollectible allowance of \$78,533. The fair value of these loans is not readily determinable. The Authority administered rebates in the amount of \$259,198 during the year ended June 30, 2017.

***Contractor assistance program***

The Contractor Assistance Program (CAP) is a loan program created by City Council and administered by the City's Office of Economic Development and the Authority, which is designed to provide working capital, equipment financing, receivables financing and other qualifying uses that will support the delivery of goods or services that further the purpose of the CAP. The loan program provides loans to eligible borrowers of up to \$100,000 with varying amortizations and interest rates from 4% to 9% per annum depending on the overall credit rating of the transaction.

At June 30, 2017, the carrying value of loans receivable from the CAP program was \$143,286, less an uncollectible allowance of \$26,875. The fair value of these loans is not readily determinable.

***Revolving loan program***

The Citywide Revolving Loan Program (RLP) is a loan program created by City Council and administered by the City's Office of Economic Development and the Authority, which is designed to provide capital for property and land acquisition, infrastructure costs, construction, rehabilitation, working capital, machinery and equipment purchases, leasehold improvements and any other use that meets the Department of Housing and Urban Development's national objectives. The loan program provides loans to eligible borrowers of up to \$250,000 with amortizations of up to 20 years and interest rates that can vary from 3% to 9% per annum depending on the overall credit rating of the transaction.

At June 30, 2017, the carrying value of loans receivable from the RLP program was \$422,911, less an uncollectible allowance of \$30,645. The fair value of these loans is not readily determinable.

***Enterprise zone incentive loans***

During 1996, the Enterprise Zone Incentive Loan (EZIL) program was implemented to provide City incentives through the Authority to worthy businesses. These incentives were designed to encourage investment and job creation by new or existing businesses within the City's enterprise zones.

The EZIL Program is no longer being funded by the City. During the year ended June 30, 2011, all remaining loans receivable from the EZIL program were written off. The fund remains open to collect residual loan recovery payments. Recoveries from loans previously written off were \$1,115 during the year ended June 30, 2017.

***Economic development and housing loan fund***

During 2013, the Economic Development and Housing Loan Fund (EDHLF) was implemented for the purpose of providing financing to local developers and small businesses pursuing Section 108 eligible projects which meet one of the Community Development Block Grant National Objectives: to facilitate large real estate economic development projects, the creation of affordable housing and other special use projects that benefit low and moderate income persons, prevent or eliminate slums or blight, create or retain jobs and provide area benefits in the City's commercial corridors and residential neighborhoods.

During the fiscal year 2013, the City had drawn down the approved loan from the United States Department of Housing and Urban Development (HUD) in the amount of \$10,125,000 and transferred the proceeds to the Authority. At June 30, 2017, approximately five million in loans had been granted from these funds, of which \$3,391,861 was receivable at year end.

**9. Conduit Debt**

The Authority can authorize the issuance of revenue bonds for the purpose of obtaining and constructing facilities. Such debt is payable solely from the revenues derived from structured liens or pass-through leases of the facilities constructed for the related enterprises. Collections of revenues pledged to liquidate the bonds are assigned to a trustee. Such debt does not constitute a debt or pledge of the faith and credit of the Authority, the Commonwealth of Virginia or any political subdivision thereof. Accordingly, such debt and related assets are not presented in the financial statements.

**10. Incubator Project - RVA Works Fund**

In December 1999, the Authority purchased the RVA Works building (previously called the Advantech building) at 501 E. Franklin Street in order to establish their new business "incubator" project, a project established to foster small businesses by helping them jump-start their set-up and business operations. Rental income for the year ended June 30, 2017 was \$57,869. The Authority sold this building and all related assets held by this fund during the year.

**11. Notes Payable**

During the year ended June 30, 2015, the Authority entered into certain real estate transactions as part of obtaining the property at the site of the Stone Brewing Co. facility. The following is a summary of the resulting notes payable:

Note payable to the Richmond Redevelopment and Housing Authority of \$282,422 due in annual interest-only payments of 6.00%, all unpaid principal and interest due at maturity, April 2030. \$ 282,422

**12. Related Party Transactions**

***Enterprise funds***

During the year ended June 30, 2017, the Authority received \$2,130,000 in economic development incentives from the City to be passed on to businesses operating within the City. Incentive grants of \$2,188,920 were paid out during the year. The Authority received from the City \$550,000 in funding for a Façade Improvement Grant Program. Grants totaling \$198,002 were awarded under this program in the prior year and \$108,834 was awarded during the year ended June 30, 2017. These grants are included in other operating expenses on the statement of revenues, expenses, and changes in net position. The remaining balance of \$243,164 is classified as restricted net position on the statement of net position.

***Agency funds***

The Authority receives bookkeeping services from a third-party CPA firm. During 2000, the Authority, through the CARE program, loaned the CPA firm \$125,000. Under the original terms of this loan, interest only payments were required until May 2016 at which time the principal was to be due in full; however, this loan was refinanced during the year-ended June 30, 2017, with interest only payments required until May 2022 at which time the principal is to be due in full.

**13. 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 carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

**Economic Development Authority of the City of Richmond, Virginia**  
**Notes to Financial Statements**

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**14. Due to City of Richmond - Agency Fund**

Amounts noted as due to the City of Richmond within the Agency Funds (CARE, CAP, RLP, EDHLF and EZIL) are funds which belong to and would be returned to the City should the programs cease operations.

**15. Recoverable Grant Payable - Enterprise Fund**

Amounts noted as a recoverable grants payable are amounts payable to the City of Richmond. The funds were received from the City and were used for developing the Leigh Street and Stone Brewing projects. Funds must be paid back to the City in an amount equal to the initial outlay at the conclusion of the project. There have been no agreements or terms developed by the Authority or the City regarding repayment of the Leigh Street \$9,000,000 grant payable. During 2017, the terms of the Stone Brewing project grant payable were determined and are as follows:

Recoverable grant payable to the City of Richmond of \$23,000,000 due in annual installments of varying amounts and at various interest rates through June 1, 2041; interest payable semi-annually at rates ranging 3%-4%. \$ 22,415,000

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 610,000	\$ 828,162	\$ 1,438,162
2019	635,000	803,763	1,438,763
2020	660,000	778,362	1,438,362
2021	685,000	751,963	1,136,963
2022	710,000	731,412	1,441,412
Thereafter	<u>19,115,000</u>	<u>8,224,001</u>	<u>27,339,001</u>
Total	<u>\$ 22,415,000</u>	<u>\$ 12,117,663</u>	<u>\$ 34,532,663</u>

**16. Interfund Transactions**

Transfers between funds during the year were as follows:

	<u>In</u>	<u>Out</u>
Operating Fund	\$ 1,537,018	\$ -
RVA Works Fund	-	2,455,463
Leigh Street	751,500	-
Stone Brewery Fund	<u>166,945</u>	<u>-</u>
	<u>\$ 2,455,463</u>	<u>\$ 2,455,463</u>

**17. Subsequent Event**

On October 1, 2017, the Authority issued a \$8,290,059 Series 2017 Educational Facilities Revenue Bond to assist St. Michael's Episcopal School with the financing of the relocation, construction, and equipping of new elementary school facilities. These bonds are special limited obligations of the Authority, payable solely from and secured by a Promissory Note issued by St. Michael's Episcopal School. The bond does not constitute a debt or pledge of the faith and credit of the Authority, the City, or the State.

## ***Compliance Section***

## **Independent Auditors' 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***

Honorable Members of the Board of Directors  
Economic Development Authority of the City of Richmond, Virginia  
(A Component Unit of the City of Richmond, Virginia)  
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and business-type activities of the Economic Development Authority of the City of Richmond, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of the City of Richmond, Virginia's basic financial statements, and have issued our report thereon dated November 9, 2017.

### ***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Economic Development Authority of the City of Richmond, Virginia'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 Economic Development Authority of the City of Richmond, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Economic Development Authority of the City of Richmond, Virginia'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 Economic Development Authority of the City of Richmond, Virginia'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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 Economic Development Authority of the City of Richmond, Virginia'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.

*Dixon Hughes Goodman LLP*

**Richmond, Virginia**  
**November 9, 2017**

***Supplementary Information***

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2017**

	Agency Funds						Total
	CARE	CAP	RLP	EZIL	EDHLF	Agency Operations	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 41,524	\$ 786,937	\$ 1,116,167	\$ 221,632	\$ 6,408,971	\$ 7,638	\$ 8,582,869
Receivables, net of allowance							
Notes	127,799	116,411	392,266	-	3,391,861	-	4,028,337
Interest	1,421	5,031	8,380	-	6,147	-	20,979
Equipment, net of accumulated depreciation	-	332	-	-	-	-	332
<b>Total assets</b>	<b>\$ 170,744</b>	<b>\$ 908,711</b>	<b>\$ 1,516,813</b>	<b>\$ 221,632</b>	<b>\$ 9,806,979</b>	<b>\$ 7,638</b>	<b>\$ 12,632,517</b>
<b>LIABILITIES</b>							
Due to the City of Richmond, Virginia	\$ 170,744	\$ 908,711	\$ 1,516,813	\$ 221,632	\$ 9,806,979	\$ 6,902	\$ 12,631,781
Accounts payable	-	-	-	-	-	736	736
<b>Total liabilities</b>	<b>\$ 170,744</b>	<b>\$ 908,711</b>	<b>\$ 1,516,813</b>	<b>\$ 221,632</b>	<b>\$ 9,806,979</b>	<b>\$ 7,638</b>	<b>\$ 12,632,517</b>

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2017**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>CARE</b>				
Assets:				
Cash	\$ 245,862	\$ 92,752	\$ (297,090)	\$ 41,524
Notes receivable, net	160,066	-	(31,892)	128,174
Interest receivable	1,305	1,046	(1,305)	1,046
Prepaid expenses	1,050	-	(1,050)	-
	<u>\$ 408,283</u>	<u>\$ 93,798</u>	<u>\$ (331,337)</u>	<u>\$ 170,744</u>
Liabilities:				
Due to City of Richmond	<u>\$ 408,283</u>	<u>\$ 93,798</u>	<u>\$ (331,337)</u>	<u>\$ 170,744</u>
<b>CAP</b>				
Assets:				
Cash	\$ 778,676	\$ 24,761	\$ (16,500)	\$ 786,937
Notes receivable, net	134,769	-	(18,358)	116,411
Interest receivable	309	5,031	(309)	5,031
Equipment, net	566	-	(234)	332
	<u>\$ 914,320</u>	<u>\$ 29,792</u>	<u>\$ (35,401)</u>	<u>\$ 908,711</u>
Liabilities:				
Due to City of Richmond	<u>\$ 914,320</u>	<u>\$ 29,792</u>	<u>\$ (35,401)</u>	<u>\$ 908,711</u>
<b>RLP</b>				
Assets:				
Cash	\$ 1,000,350	\$ 142,999	\$ (27,182)	\$ 1,116,167
Notes receivable, net	518,105	95,000	(220,839)	392,266
Interest receivable	10,022	8,380	(10,022)	8,380
	<u>\$ 1,528,477</u>	<u>\$ 246,379</u>	<u>\$ (258,043)</u>	<u>\$ 1,516,813</u>
Liabilities:				
Due to City of Richmond	<u>\$ 1,528,477</u>	<u>\$ 246,379</u>	<u>\$ (258,043)</u>	<u>\$ 1,516,813</u>

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2017**

**(Continued)**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b><i>EZIL</i></b>				
Assets:				
Cash	\$ 219,857	\$ 1,775	\$ -	\$ 221,632
Interest receivable	-	660	(660)	-
Total assets	<u>\$ 219,857</u>	<u>\$ 2,435</u>	<u>\$ (660)</u>	<u>\$ 221,632</u>
Liabilities:				
Due to City of Richmond	<u>\$ 219,857</u>	<u>\$ 2,435</u>	<u>\$ (660)</u>	<u>\$ 221,632</u>
<b><i>EDHLF</i></b>				
Assets:				
Cash	\$ 6,955,782	\$ 160,756	\$ (707,567)	\$ 6,408,971
Notes receivable, net	3,231,604	160,257	-	3,391,861
Interest receivable	14,914	6,147	(14,914)	6,147
Total assets	<u>\$ 10,202,300</u>	<u>\$ 327,160</u>	<u>\$ (722,481)</u>	<u>\$ 9,806,979</u>
Liabilities:				
Due to City of Richmond	<u>\$ 10,202,300</u>	<u>\$ 327,160</u>	<u>\$ (722,481)</u>	<u>\$ 9,806,979</u>
<b><i>OPERATING</i></b>				
Assets:				
Cash	\$ 15,076	\$ 14,721	\$ (22,159)	\$ 7,638
Fee income receivable	5,429	(5,429)	-	-
Total assets	<u>\$ 20,505</u>	<u>\$ 9,292</u>	<u>\$ (22,159)</u>	<u>\$ 7,638</u>
Liabilities:				
Accounts payable	\$ -	\$ 736	\$ -	\$ 736
Due to City of Richmond	20,505	8,556	(22,159)	6,902
	<u>\$ 20,505</u>	<u>\$ 9,292</u>	<u>\$ (22,159)</u>	<u>\$ 7,638</u>

**Economic Development Authority of the City of Richmond, Virginia**  
**(A Component Unit of the City of Richmond, Virginia)**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2017**

**(Continued)**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash	\$ 9,215,603	\$ 437,764	\$ (1,070,498)	\$ 8,582,869
Notes receivable, net	4,044,544	255,257	(271,089)	4,028,712
Interest receivable	26,550	21,264	(27,210)	20,604
Fee income receivable	5,429	(5,429)	-	-
Prepaid expenses	1,050	-	(1,050)	-
Equipment, net	566	-	(234)	332
	<u>\$ 13,293,742</u>	<u>\$ 708,856</u>	<u>\$ (1,370,081)</u>	<u>\$ 12,632,517</u>
Total assets				
Liabilities:				
Accounts payable	\$ -	\$ 736	\$ -	\$ 736
Due to City of Richmond	13,293,742	708,120	(1,370,081)	12,631,781
	<u>\$ 13,293,742</u>	<u>\$ 708,856</u>	<u>\$ (1,370,081)</u>	<u>\$ 12,632,517</u>
Total all agency funds				