

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

**FINANCIAL REPORT**

**As of and for the Fiscal Year Ended June 30, 2024**

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

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## **INTRODUCTORY SECTION**

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

**Directory of Principal Officials  
June 30, 2024**

**BOARD MEMBERS**

Mary Snyder, Chairman  
Sleepy Hole Borough Representative

Wesley S. King, Vice-Chairman  
Cypress Borough Representative

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

Kevin Hughes, Deputy Secretary-Treasurer  
Economic Development Director

William Webb III  
Suffolk Borough Representative

Chris Rice  
Holy Neck Borough Representative

Anthony Harper  
Whaleyville Borough Representative

Simon Stevenson  
Nansemond Borough Representative

Karima Lockwood  
Chuckatuck Borough Representative

**CITY COUNCIL LIAISON**

Roger Fawcett  
Sleepy Hole Borough Representative

**CHIEF LEGAL COUNCIL**

Darius Davenport  
Crenshaw, Ware & Martin



P.O. Box 1858  
Suffolk, Virginia 23439  
*Telephone* 757-514-4040  
*Facsimile* 757-514-4054  
[www.YesSuffolk.com](http://www.YesSuffolk.com)

Board Members  
Economic Development Authority of the City of Suffolk

Dear Board Members,

The economic development initiatives for the City of Suffolk's fiscal year July 1, 2023 through June 30, 2024 were supported by the EDA's contributions. Some of the highlights and actions taken by the EDA included:

- Approved an Economic Development Investment Program (EDIP) Grant for Freezpak Logistics, a full-service cold and dry storage service company
- Approved Economic Development Investment Program (EDIP) grant for Layer 9, Inc., an information technology services company
- Approved a Small Business Improvement Program (SBIP) grant for Darla's Downtown Boutique for interior improvements
- Approved a Small Business Improvement Program (SBIP) grant for Café Davina to expand their front of house operations to the Pinner House Bed & Breakfast in downtown Suffolk
- Approved a Small Business Improvement Program (SBIP) grant for Rajput Indian Cuisine in north Suffolk
- Approved a Small Business Improvement Program (SBIP) grant for Gourmet Burger Bistro in downtown Suffolk
- Approved a façade grant for Redwood Smoke Shack, a new barbeque restaurant in north Suffolk
- Purchased the former Virginian Pilot Building at 157 North Main Street in downtown Suffolk

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

Sincerely,

Kevin Hughes  
Deputy Secretary/Treasurer  
Suffolk Economic Development Authority

Charles Meek  
Director of Finance  
City of Suffolk

## **FINANCIAL SECTION**

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

## **Independent Auditor's Report**



## Report of Independent Auditor

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

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of the Economic Development Authority of the City of Suffolk, Virginia (the “Authority”), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

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

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

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

#### **Auditors’ Responsibility for the Audit of the Financial Statements**

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

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

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

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

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

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

### ***Other Information***

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Virginia Beach, Virginia  
October 24, 2024

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

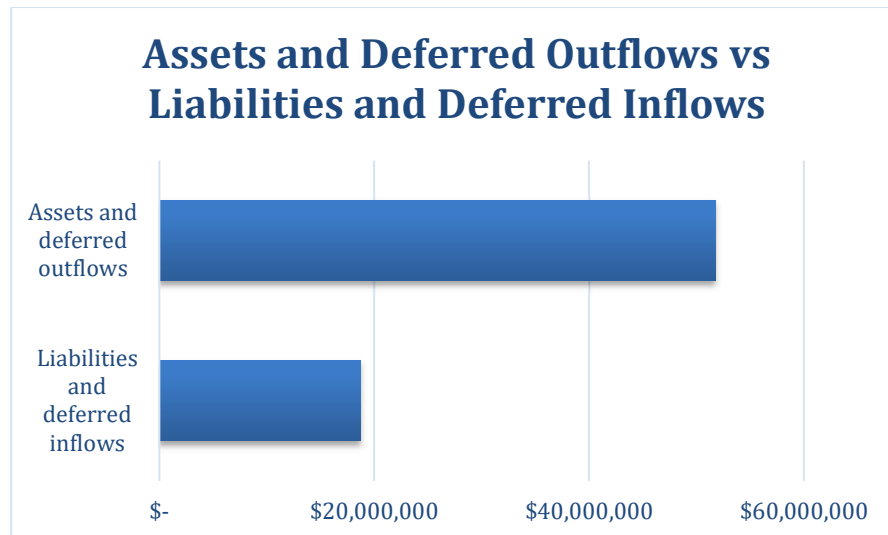
**Management's Discussion and Analysis**

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This section of the Economic Development Authority of the City of Suffolk, Virginia's (the "Authority") annual financial report presents a discussion and analysis of the Authority's financial performance as of and for the fiscal year ended June 30, 2024. Please read it in conjunction with the Authority's Letter of Transmittal in the Introductory Section and the financial statements following this section.

**Financial Highlights**

- At the close of the fiscal year, the assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources by \$33,067,562. Of this amount, \$11,702,667 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations.



- Net position increased from fiscal year 2023 to fiscal year 2024 by \$1,373,513 or 4.33%. This is primarily due to an unrealized gain on land held for resale, which increased due to overall increase in assessed value of real property.
- The operating income for fiscal year 2024 was \$322,863.
- At June 30, 2024 the Authority does not have any construction in progress.

**Overview of the Financial Statements**

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

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

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

**Management's Discussion and Analysis**

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**Overview of the Financial Statements (Continued)**

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

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

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

**Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, the Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$33,067,562. The table below provides a summary of the Authority's net position as of June 30, 2024 and June 30, 2023.

<b>Statement of Net Position</b>		
<b>(in millions)</b>		
	2024	2023
Current assets	\$ 12.7	\$ 14.9
Non current assets	39.1	37.9
Total assets	51.8	52.8
Current liabilities	0.3	1.5
Long-term liabilities	2.0	2.0
Total liabilities	2.3	3.5
Deferred inflows	16.4	17.6
Total liabilities and deferred inflows	18.7	21.1
Net Position:		
Net investment in capital assets	19.0	16.0
Restricted	2.3	2.0
Unrestricted	11.7	13.7
Total net position	\$ 33.1	\$ 31.7

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

**Management's Discussion and Analysis**

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**Financial Analysis (Continued)**

A large portion of the Authority's net position (35.43%) represents unrestricted net position of \$11,702,667, which may be used to meet the Authority's ongoing obligations.

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

The table below provides a summary of the changes in net position for the years ended June 30, 2024 and June 30, 2023.

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

	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 2.8	\$ 2.0
Operating Expenses	<u>2.5</u>	<u>1.4</u>
Operating Income	<u>0.3</u>	<u>0.6</u>
Nonoperating Revenues	<u>1.1</u>	<u>0.7</u>
Change in Net Position	<u>1.4</u>	<u>1.3</u>
Net Position beginning of year	<u>31.7</u>	<u>30.4</u>
Net Position end of year	<u>\$ 33.1</u>	<u>\$ 31.7</u>

A component of operating expenses for the Authority are payments to various businesses under the Economic Development Investment Fund Program ("EDIP"), façade grants for business and small business development grants. These programs combined accounted for 39.45% of the total operating expenses. The EDIP provides incentives to businesses that qualify for the program with the intent of fostering the Authority's mission of economic development within the City.

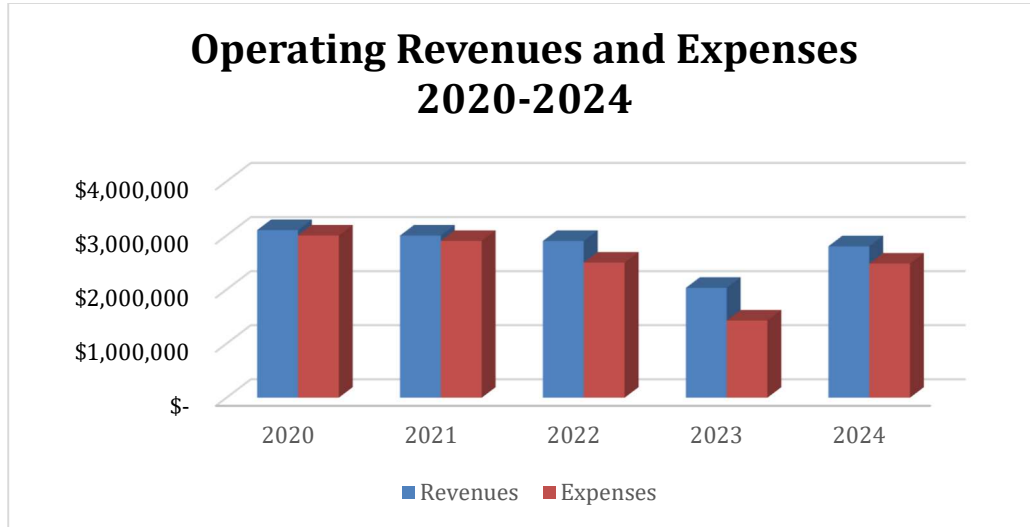
The other main component of operating expenses for the Authority is the recognition of depreciation expense on the Authority's buildings, which totaled \$885,114 or 35.69% of total operating expenses in 2024.

Included within the calculation of the total net non-operating expenses is interest paid on the debt related to the Health and Human Services building during fiscal year 2024. Interest expense decreased from the prior year for a total of \$39,013.

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

**Management's Discussion and Analysis**

**Financial Analysis (Continued)**



**Capital Assets and Debt Administration**

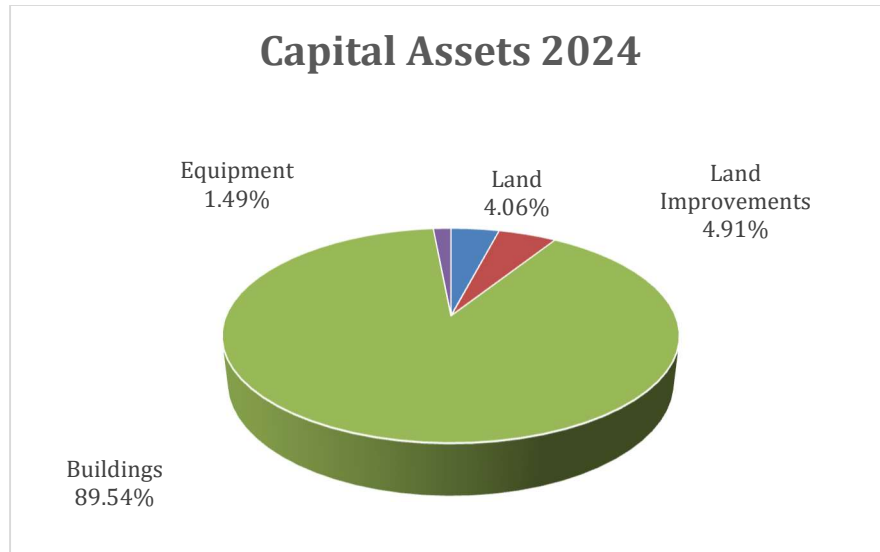
The Authority's investment in capital assets totals \$21,035,504 net of accumulated depreciation. This investment in capital assets includes the Hilton Garden Inn and Suffolk Conference Center and the Health and Human Services building.

Capital Assets (Net of Depreciation)		
	2024	2023
Land	\$ 1,435,662	\$ 1,021,162
Land Improvements	345,572	422,032
Buildings	19,149,997	17,551,016
Equipment	104,273	156,408
Total	<u>\$ 21,035,504</u>	<u>\$ 19,150,618</u>

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

**Management's Discussion and Analysis**

**Capital Assets and Debt Administration (Continued)**



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

At the end of the current year, the Authority had outstanding debt in the amount of \$2,021,226.

Outstanding Debt		
	2024	2023
Lease Revenue Bond	\$ 1,916,000	\$ 3,031,000
Equipment Lease	105,226	157,359
<b>TOTAL</b>	<b>\$ 2,021,226</b>	<b>\$ 3,188,359</b>

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

**Economic Factors**

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

The Authority had a positive year promoting economic activity in the City. Through the use of the Local EDIP, the Authority assisted three companies in expanding and locating within the City, thereby creating investment in the City and employment. These companies included Birdsong Peanuts, Acesur USA, LLC, and Layer 9, Inc. Additionally, the Authority assisted one business, Midtown Services, with façade improvements through the façade program. Three other businesses were assisted with a small business improvement grant, including Café Davina, Gourmet Burger Bistro, and Rajput Indian Cuisine.



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

**Management's Discussion and Analysis**

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**Requests for Information**

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

## **Basic Financial Statements**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
A Component Unit of the City of Suffolk, Virginia  
Statement of Net Position  
June 30, 2024**

**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 3,309,170
Accounts receivable	147,188
Land and improvements held for sale	8,201,280
Lease receivables	1,083,042
Total current assets	<u>12,740,680</u>

## Noncurrent assets:

Cash and cash equivalents - restricted	2,331,902
Lease receivable, non-current	15,667,864
Capital assets:	
Assets not being depreciated	1,435,662
Assets being depreciated, net	19,599,842

## Total noncurrent assets

39,035,270

## Total assets

51,775,950**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refunding	25,580
Total deferred outflows of resources	<u>25,580</u>

**LIABILITIES**

## Current liabilities:

Due to the Primary Government	239,255
Deposits	7,500
Accrued interest payable, restricted	6,866
Total current liabilities	<u>253,621</u>

## Noncurrent liabilities:

Due within one year	1,178,452
Due in more than one year	842,774
Total noncurrent liabilities	<u>2,021,226</u>

## Total liabilities

2,274,847**DEFERRED INFLOWS OF RESOURCES**

Leases	16,459,121
Total deferred inflows of resources	<u>16,459,121</u>

**NET POSITION**

Net investment in capital assets	19,039,859
Restricted	2,325,036
Unrestricted	11,702,667
Total net position	<u>\$ 33,067,562</u>

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

**EXHIBIT 2**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
A Component Unit of the City of Suffolk, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2024**

**OPERATING REVENUES**

Leases revenues	\$ 1,720,821
Contributions from City	957,073
Public facilities rebates	125,014
Total operating revenues	<u>2,802,908</u>

**OPERATING EXPENSES**

Economic development incentives	940,344
Small Business CDL program	28,000
Façade program	10,000
Advertising and special events	13,509
Property maintenance	485,923
Professional fees	111,884
Depreciation and amortization	885,114
Miscellaneous	5,271
Total operating expenses	<u>2,480,045</u>
Operating income	<u>322,863</u>

**NONOPERATING REVENUES (EXPENSES)**

Interest income	50,918
Lease interest income	247,963
Bond maintenance fees	147,188
Unrealized gain on land available for sale	643,594
Interest expense	(39,013)
Total nonoperating revenues, net	<u>1,050,650</u>

Changes in net position	1,373,513
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<b>Net position beginning at July 1</b>	<u>31,694,049</u>
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<b>Net position ending at June 30</b>	<u><u>\$ 33,067,562</u></u>
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The notes to the financial statements are an integral part of this statement.

**EXHIBIT 3**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF SUFFOLK, VIRGINIA  
A Component Unit of the City of Suffolk, Virginia  
Statement of Cash Flows  
For the Year Ended June 30, 2024**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from lessees	\$ 1,635,616
Primary government contribution	957,073
Other operating receipts	125,014
Payment to Primary Government	(978,344)
Payments to suppliers for goods and services	(672,657)
Net cash provided by operating activities	<u>1,066,702</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Acquisition and construction of capital assets	(2,770,000)
Principal paid on debt	(1,167,133)
Interest and other charges paid on debt	(26,852)
Net cash used in capital and related financing activities	<u>(3,963,985)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Acquisition of land and improvement held for sale	(300,000)
Interest earned	298,881
Net cash used in investing activities	<u>(1,119)</u>

Net change in cash and cash equivalents (2,898,402)

Cash and cash equivalents - beginning 8,539,474

Cash and cash equivalents - ending \$ 5,641,072

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

Operating income	<u>\$ 322,863</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	885,114
Decrease in lease receivables	1,070,181
Decrease in accounts payable	(56,070)
Decrease in deferred inflows - leases	(1,155,386)
Total adjustments	<u>743,839</u>
Net cash provided by operating activities	<u><u>\$ 1,066,702</u></u>

## Reconciliation of cash and investments:

## Cash and investments:

Unrestricted	\$ 3,309,170
Restricted	2,331,902
Total cash and cash equivalents	<u><u>\$ 5,641,072</u></u>

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

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

**Notes to Financial Statements  
June 30, 2024**

**Note 1. Summary of Significant Accounting Policies**

Reporting entity:

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

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

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

Measurement focus and basis of accounting:

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

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

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

**Notes to Financial Statements  
June 30, 2024**

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

Measurement focus and basis of accounting (continued):

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

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

Cash and cash equivalents:

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

Land and improvements held for sale:

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

Leases receivable:

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

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

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

**Notes to Financial Statements  
June 30, 2024**

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

Capital assets:

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

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

Buildings	40 years
Land improvements	20 years
Equipment	10 years

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

Economic development incentives payable:

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

Deferred outflows of resources:

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

Deferred inflows of resources:

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



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

**Notes to Financial Statements  
June 30, 2024**

**Note 2. Cash and Cash Equivalents**

Deposits:

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

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

**Note 3. Land and Improvements Held for Sale**

Land and improvements held for sale consists of the following:

	<u>Acreage</u>	<u>Carrying Value</u>
Wilroy Industrial Park	5.48	\$ 38,370
Suburban Drive	29.40	240,006
Suffolk Industrial Park	74.77	1,089,178
TCC Site	21.65	2,539,400
Northgate Commerce Park	37.37	1,991,994
1900 North Main (former Obici site)	4.77	2,302,332
	<u>172.44</u>	<u>\$ 8,201,280</u>

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

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

**Notes to Financial Statements  
June 30, 2024**

**Note 4. Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not-depreciated:				
Land	\$ 1,021,162	\$ 414,500	\$ -	\$ 1,435,662
Capital assets, depreciated:				
Land Improvements	1,734,061	-	-	1,734,061
Buildings	14,337,217	2,355,500	-	16,692,717
Health and Human Services Center	14,942,123	-	-	14,942,123
Equipment	265,390	-	-	265,390
Right to Use Assets - Equipment	260,681	-	-	260,681
Total capital asset, depreciated	<u>31,539,472</u>	<u>2,355,500</u>	<u>-</u>	<u>33,894,972</u>
Less accumulated depreciation/amortization for:				
Land Improvements	1,312,031	76,458	-	1,388,489
Buildings	6,621,763	382,967	-	7,004,730
Health and Human Services Center	5,106,560	373,553	-	5,480,113
Equipment	265,390	-	-	265,390
Right to Use Assets - Equipment	104,272	52,136	-	156,408
Total accumulated depreciation/amortization	<u>13,410,016</u>	<u>885,114</u>	<u>-</u>	<u>14,295,130</u>
Total capital assets, depreciated, net	<u>18,129,456</u>	<u>1,470,386</u>	<u>-</u>	<u>19,599,842</u>
Governmental activities capital assets, net	<u>\$ 19,150,618</u>	<u>\$ 1,884,886</u>	<u>\$ -</u>	<u>\$ 21,035,504</u>

**Note 5. Due To Primary Government and Related Party Transactions**

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

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

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

**Notes to Financial Statements  
June 30, 2024**

**Note 6. Long-Term Liabilities**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due within one year</b>
Lease Revenue Bond	\$ 3,031,000	\$ -	\$ 1,115,000	\$ 1,916,000	\$ 1,126,000
Lease Payable (note 8)	157,359	-	52,133	105,226	52,452
	<u>\$ 3,188,359</u>	<u>\$ -</u>	<u>\$ 1,167,133</u>	<u>\$ 2,021,226</u>	<u>\$ 1,178,452</u>

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

<b>Fiscal Year</b>	<b>Lease Revenue Bonds</b>		<b>Lease Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 1,126,000	\$ 16,478	\$ 52,452	\$ 468
2026	790,000	6,794	52,774	147
	<u>\$ 1,916,000</u>	<u>\$ 23,272</u>	<u>\$ 105,226</u>	<u>\$ 615</u>

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

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

The agreement was entered into as of July 1, 2021, to lease a generator and requires 60 monthly payments of \$4,410. There are no variable payment components of this lease. The Authority has recorded a right to use asset with a net book value of \$104,273 at June 30, 2024.

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

**Notes to Financial Statements  
June 30, 2024**

**Note 7. Conduit Debt Transactions**

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

The Authority charges a bond maintenance fee for administering this program.

As of June 30, 2024, the aggregate principal amount payable of these conduit revenue bonds outstanding was \$148,225,000.

**Note 8. Leases**

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

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

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

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

**Notes to Financial Statements  
June 30, 2024**

**Note 8. Leases (Continued)**

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

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

The future lease revenue and interest as of June 30, 2024, are as follows:

<b>Fiscal Year:</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 1,083,042	\$ 236,018
2026	1,096,374	222,837
2027	1,041,068	209,541
2028	708,862	198,118
2029	719,656	187,490
2030 - 2034	3,766,231	772,163
2035 - 2039	4,062,836	480,513
2040 - 2044	3,859,924	169,155
2045 - 2049	64,232	34,243
2050 - 2054	58,995	25,546
2055 - 2059	28,223	21,778
2060 - 2064	30,543	19,457
2065 - 2069	33,054	16,946
2070 - 2074	35,772	14,229
2075 - 2079	38,713	11,288
2080 - 2084	41,895	8,105
2085 - 2089	45,340	4,661
2090 - 2093	36,146	1,065
<b>TOTAL</b>	<b>\$ 16,750,906</b>	<b>\$ 2,633,153</b>

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

**Notes to Financial Statements  
June 30, 2024**

**Note 9. Commitments and Contingencies**

As of June 30, 2024, five Economic Development Investment Fund program agreements remain in place with outstanding commitments for future company investment and corresponding payment responsibilities from the Authority approximating \$1,000,000.

**Note 10. Upcoming Accounting Standards**

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

**GASB Statement No. 101, *Compensated Absences***, the primary objective of which is to better meet the needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for the fiscal year ending June 30, 2025.

**GASB Statement No. 102, *Certain Risk Disclosures***, the primary objective of which is to improve financial reporting by providing users of financial statements with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. This statement is effective for the fiscal year ending June 30, 2025.

**GASB Statement No. 103, *Financial Reporting Model Improvements***, the primary objective of which is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement is effective for the fiscal year ending June 30, 2026.

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

**Note 11. Litigation**

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

## OTHER INFORMATION

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Table 1

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA**  
**DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Operating Revenues</b>										
Hotel Revenues										
Hotel Lease Revenues	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 12,689	\$ 5,986
Public Facility Rebate	100,321	100,113	126,972	98,376	93,011	80,210	68,380	109,661	98,222	125,014
HHSB Revenues										
Health and Human Services Lease	1,581,343	1,608,481	1,609,310	1,586,087	1,602,749	1,661,167	1,635,269	1,665,948	1,757,001	1,710,224
Other Lease Revenues										
NCP Lease Revenues	-	1,100	1,100	1,100	1,100	1,100	1,100	1,100	-	-
Shenandoah Site Lease	-	-	-	-	-	-	-	-	7,418	4,611
55 Acre Site Lease	-	-	-	4,000	-	-	-	-	-	-
Obici Site Lease	-	-	-	9,000	241,000	-	-	-	-	-
Other Revenues										
Gain on Sale of Land and Easements	47,886	-	-	-	-	-	-	-	-	-
Contributions from Municipality (EDIP)	2,665,400	1,717,079	1,600,000	486,808	346,738	1,576,250	1,245,716	962,082	39,174	957,073
Contributions from the State	200,000	-	1,000,000	-	45,000	-	-	-	-	-
Miscellaneous	45,254	650	441	-	307,111	696	298,497	11,991	4,010	-
<b>Total Operating Revenues</b>	<b>4,650,204</b>	<b>3,437,423</b>	<b>4,347,823</b>	<b>2,195,371</b>	<b>2,646,709</b>	<b>3,329,423</b>	<b>3,258,962</b>	<b>2,760,782</b>	<b>1,918,514</b>	<b>2,802,908</b>
<b>Operating Expenses</b>										
Hotel Expenses										
Payment to Municipality	-	-	-	-	-	-	-	-	-	-
Property Maintenance	-	-	-	-	-	118,315	97,000	-	1,460	68,634
Depreciation and Amortization	414,400	414,399	414,399	414,399	414,399	414,399	414,400	414,399	414,399	438,935
HHSB Expenses										
Professional Fees	-	-	-	-	-	-	37,500	-	4,540	-
Property Maintenance	248,441	293,778	269,342	295,881	308,814	355,402	403,091	422,935	312,558	358,046
Depreciation and Amortization	400,093	400,092	394,042	394,042	394,043	394,042	394,042	425,689	425,689	425,689
Other Expenses										
Economic Development Incentives	2,865,400	1,706,750	2,600,000	486,808	165,000	1,561,738	400,293	962,082	26,880	940,344
Technology Zone Grant	-	10,329	-	-	-	-	-	-	-	-
Small Business CDL	-	-	-	-	14,846	30,000	45,000	20,000	32,902	28,000
Small Business COVID assistance	-	-	-	-	-	190,500	1,045,423	-	-	-
Façade Program	118,458	27,111	30,000	26,420	20,000	40,077	265,340	40,000	15,163	10,000
Advertising and special events	30,915	33,095	13,281	13,115	21,828	24,965	2,693	11,637	6,797	13,509
Contribution to Local Organizations	-	7,000	7,000	7,000	-	7,000	7,000	7,000	-	-
Contribution to City	-	-	6,932	-	-	-	-	-	-	-
Professional Fees	150,663	10,121	650	33,487	56,921	21,604	16,910	15,560	54,130	111,884
Property Maintenance	272,907	125,978	32,053	40,819	21,655	100,288	106,478	194,455	104,891	59,243
Depreciation and Amortization	20,489	20,490	26,539	26,539	15,481	-	-	20,489	20,489	20,490
Miscellaneous	4,619	7,180	7,048	13,682	6,502	5,473	4,305	5,205	7,368	5,271
<b>Total Operating Expenses</b>	<b>4,526,385</b>	<b>3,056,323</b>	<b>3,801,286</b>	<b>1,752,192</b>	<b>1,439,489</b>	<b>3,263,803</b>	<b>3,239,475</b>	<b>2,539,451</b>	<b>1,427,266</b>	<b>2,480,045</b>
<b>Operating income</b>	<b>123,819</b>	<b>381,100</b>	<b>546,537</b>	<b>443,179</b>	<b>1,207,220</b>	<b>65,620</b>	<b>19,487</b>	<b>221,331</b>	<b>491,248</b>	<b>322,863</b>
<b>Non-Operating Revenues (Expenses)</b>										
Interest Income	11,189	7,876	1,671	8,940	9,883	13,444	10,826	8,282	52,325	50,918
Lease Interest Income	-	-	-	-	-	-	-	-	-	247,963
Amortization of Bond Issue Costs	-	-	(32,370)	(32,370)	(32,370)	(32,370)	(45,418)	(16,156)	(16,156)	(16,156)
Interest Expenses	(321,361)	(312,398)	(256,034)	(231,378)	(206,059)	(180,079)	(50,709)	(42,538)	(32,737)	(22,857)
Bond Maintenance Fees	146,394	143,909	144,767	148,744	146,654	142,961	27,550	236,374	113,720	147,188
Loss on sale of land held for resale	-	(1,962,169)	-	-	-	(499,620)	-	-	-	-
Unrealized loss on Land held for Sale	-	(537,765)	(1,174,383)	-	-	-	(454,574)	-	-	-
Unrealized gain on Land held for Sale	-	-	-	-	-	537,764	-	-	648,110	643,594
<b>Total Non-Operating Expenses, net</b>	<b>(163,778)</b>	<b>(2,660,547)</b>	<b>(1,316,349)</b>	<b>(106,064)</b>	<b>(81,892)</b>	<b>(17,900)</b>	<b>(512,325)</b>	<b>185,962</b>	<b>765,262</b>	<b>1,050,650</b>
<b>Change in Net Position</b>	<b>\$ (39,959)</b>	<b>\$ (2,279,447)</b>	<b>\$ (769,812)</b>	<b>\$ 337,115</b>	<b>\$ 1,125,328</b>	<b>\$ 47,720</b>	<b>\$ (492,838)</b>	<b>\$ 407,293</b>	<b>\$ 1,256,510</b>	<b>\$ 1,373,513</b>

Source: EDA financial statements for respective year



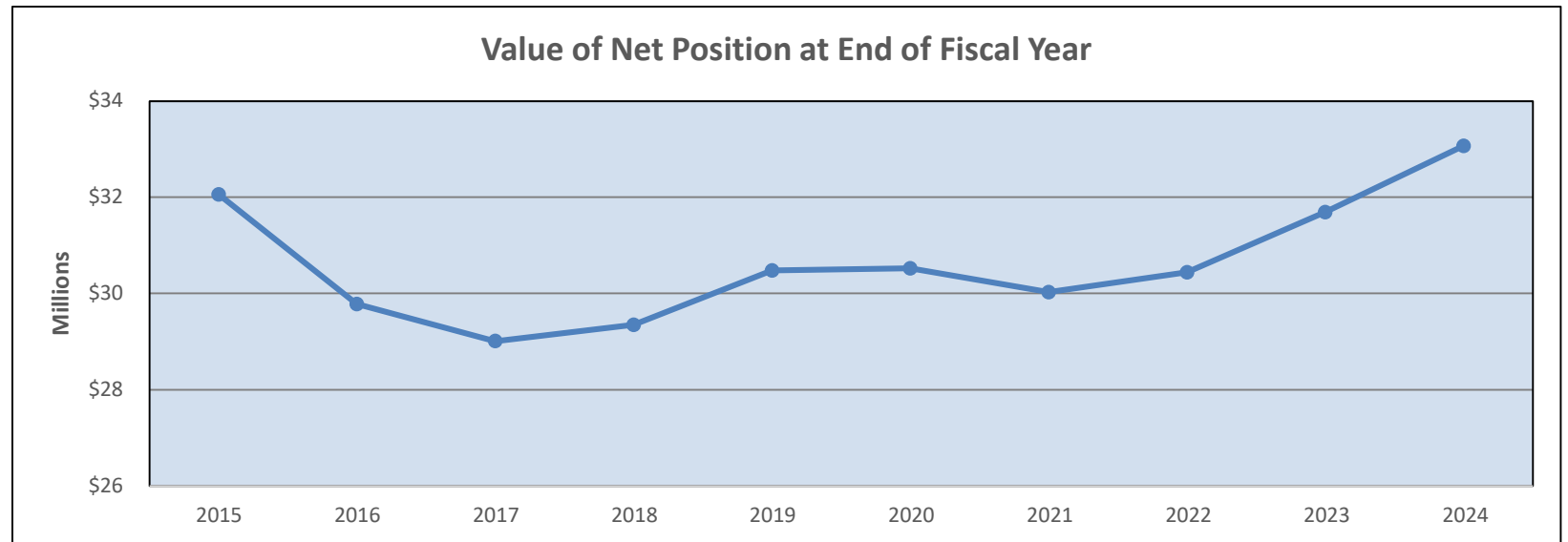
Table 2

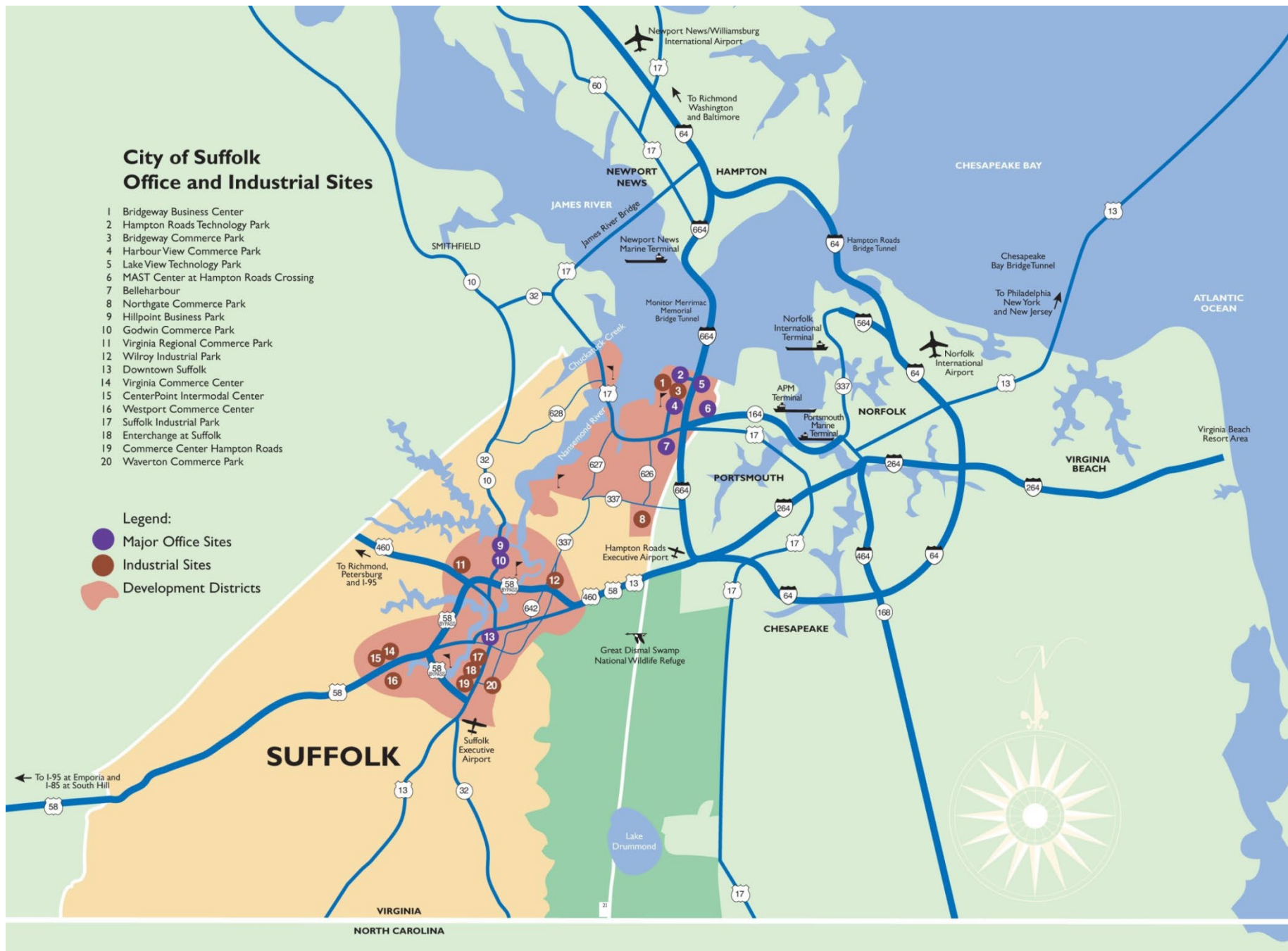
**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF SUFFOLK, VIRGINIA**

**NET POSITION BY COMPONENT  
Last Ten Fiscal Years**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Net investment in capital asset	\$14,521,744	\$14,608,302	\$14,719,860	\$14,856,419	\$15,017,977	\$15,255,788	\$15,446,141	\$15,661,019	\$15,962,259	\$19,039,859
Restricted	1,363,251	1,364,363	1,628,459	1,454,359	1,019,291	1,959,363	2,096,250	2,109,039	1,987,725	2,325,036
Unrestricted	16,177,184	13,810,067	12,664,601	13,039,257	14,438,095	13,307,932	12,487,854	12,667,481	13,744,064	11,702,667
Total net position	\$32,062,179	\$29,782,732	\$29,012,920	\$29,350,035	\$30,475,363	\$30,523,083	\$30,030,245	\$30,437,539	\$31,694,048	\$33,067,562

Source: EDA financial statements for respective year





## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the “Specifications”), the financial statements of the Economic Development Authority of the City of Suffolk, Virginia (the “Authority”), a component unit of the City of Suffolk, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated October 24, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Virginia Beach, Virginia  
October 24, 2024