



Sports & Entertainment Authority of Henrico County, Virginia

Financial Report

June 30, 2025

Sports & Entertainment Authority of Henrico County, Virginia

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Introductory Section (Unaudited)

Sports & Entertainment Authority of Henrico County, Virginia

June 30, 2025

Board of Directors

Steve Yob, Chairman
Henrico County

Peter Farrell, Vice Chair
Tuckahoe Holdings

Shareema Williams, Treasurer
TowneBank

Jen Kostyniuk, Secretary
Dominion Energy

Perry Miller
Richmond International Airport

Paula Pando
Reynolds Community College

Todd 'Parney' Parnell
Flying Squirrels



Financial Section



Independent Auditor's Report

To the Honorable Members of the Board of Directors of
Sports & Entertainment Authority of Henrico County, Virginia
Henrico, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Sports & Entertainment Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2025, 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, 2025, 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 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. Our responsibilities under those standards 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 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Government 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 this 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Directors listing but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do 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 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 June 9, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Glen Allen, Virginia
June 9, 2026



Basic Financial Statements

Sports & Entertainment Authority of Henrico County, Virginia

Statement of Net Position

June 30, 2025

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 2)	\$ 884,408
Receivables	278,702
Inventory	21,927
Prepaid expenses	36,935
Total current assets	<u>1,221,972</u>

CAPITAL ASSETS (Note 3):

Nondepreciable	4,510,000
Depreciable, net	123,907
Total capital assets	<u>4,633,907</u>
Total assets	<u>5,855,879</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals (Note 6)	52,095
OPEB deferrals (Notes 7-9)	7,917
Total deferred outflows of resources	<u>60,012</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,915,891</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 471,537
Unearned revenue	317,232
Total current liabilities	<u>788,769</u>

LONG-TERM LIABILITIES (Note 5):

Due in one year	170,433
Due in more than one year	96,578
Total long-term liabilities	<u>267,011</u>
Total liabilities	<u>1,055,780</u>

NET POSITION

Net investment in capital assets	4,559,178
Unrestricted	300,933
Total net position	<u>4,860,111</u>
Total liabilities and net position	<u><u>\$ 5,915,891</u></u>

Sports & Entertainment Authority of Henrico County, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2025

OPERATING REVENUES

Sports and Events Center revenues, net	\$ 2,947,637
Field rental income	24,970
Total operating revenues	<u>2,972,607</u>

OPERATING EXPENSES

Henrico Sports and Events Center expenses	3,580,767
Salaries	876,897
Payroll taxes and fringe benefits	249,876
Payments to others	55,000
Advertising and promotion	40,194
Accounting and auditing services	40,250
Office expense	36,732
Sponsorship and events	28,765
Depreciation and amortization	22,437
Dues and memberships	18,136
Professional services	17,250
Travel	11,432
Food supplies and service	5,648
Equipment rental	3,740
Insurance	2,210
Utilities	413
Total operating expenses	<u>4,989,747</u>
Operating loss	<u>(2,017,140)</u>

NONOPERATING REVENUES (EXPENSES)

Interest expense	(2,438)
County contributions	2,033,006
Total nonoperating revenues	<u>2,030,568</u>
Changes in net position	13,428

NET POSITION

Beginning of year	4,846,683
Ending of year	<u><u>\$ 4,860,111</u></u>

Sports & Entertainment Authority of Henrico County, Virginia

Statement of Cash Flows

Year Ended June 30, 2025

OPERATING ACTIVITIES

Cash receipts from customers	\$ 3,304,998
Cash payments to employees for services	(1,143,867)
Cash payments to suppliers for good and services	(3,802,628)
Net cash used by operating activities	<u>(1,641,497)</u>

NONCAPITAL FINANCING ACTIVITIES

Cash receipts from Henrico County	<u>2,033,006</u>
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CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(45,475)
Subscription liability payments	(26,140)
Interest paid	(711)
Net cash used in capital and related financing activities	<u>(72,326)</u>
Net increase in cash and cash equivalents	<u>319,183</u>

CASH AND CASH EQUIVALENTS

Beginning of year	565,225
End of year	<u><u>\$ 884,408</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH

USED BY OPERATING ACTIVITIES

Operating loss	\$ (2,017,140)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization	22,437
Employer contributions, pension	(52,095)
OPEB expense, net of employee contributions	561
Change in current assets and liabilities:	
Receivables	249,816
Inventory	(6,450)
Prepaid expenses	(25,755)
Accounts payable and accrued expenses	70,114
Compensated absences	34,440
Unearned revenue	82,575
Net cash used by operating activities	<u><u>\$ (1,641,497)</u></u>

NON-CASH INVESTING AND FINANCING ACTIVITIES

Acquisition of subscription asset:	
Subscription acquired	\$ 75,283
Amount financed	(75,283)
Cash paid to acquire subscription	<u><u>\$ -</u></u>

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Sports & Entertainment Authority of Henrico County, Virginia (the “Authority”) was created by ordinance of the Board of Supervisors of Henrico County, Virginia (the “Board of Supervisors”) as a political subdivision of the Commonwealth of Virginia pursuant to the provisions of the Public Recreational Facilities Authorities Act of the Commonwealth of Virginia (the “Act”) (Chapter 56 of Title 15.2, of the *Code of Virginia*). Seven directors appointed by the Board of Supervisors govern the Authority. It is authorized, among other things, to acquire, expand, lease, operate, and maintain recreational facilities in Henrico County, Virginia (the “County”), develop and foster sports and entertainment tourism at recreation facilities in the County, and engage in other activities authorized by the Act. The Authority operates the Henrico Sports and Events Center (the “HSEC”), which is the primary component of its ongoing operations. Reference should be made to the Act for a more complete description of the Authority’s powers and duties.

Basis of Accounting

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses recognized when incurred.

Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

The Authority evaluates its accounts receivable individually. A charge to income to absorb the possible credit loss is provided when, in the opinion of management, it is appropriate. At June 30, 2025, all amounts are considered collectible and, therefore, no allowance was deemed necessary.

Inventory

Inventory consists of food and beverage and are stated at the lower of cost or market using the average cost method. Inventory is sold as part of concessions and catering at the Henrico Sports and Events Center (the “HSEC”).

Capital Assets

Capital assets are stated at cost and are depreciated using the straight-line method based on estimated useful lives of 5 to 7 years. When assets are disposed, the related costs and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognized currently.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Authority capitalizes all equipment purchases exceeding \$5,000.

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

Equipment	7 years
Subscription	Term of agreement

Subscription-Based Information Technology Arrangements (SBITAs)

At the commencement of a SBITA, the Authority initially measures the subscription liability at the present value of payments expected to be made during the term of the contract. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability adjusted for subscription payments made at or before the subscription commencement date, plus certain indirect costs, if any. Subsequent to the initial measurement and recognition, the subscription asset is amortized on a straight-line basis over the life of the contract.

The subscription asset is reported with capital assets, and the subscription liability is reported with long-term liabilities on the statement of net position.

Key estimates and judgements include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription contract term, and (3) subscription payments.

- The Authority uses an estimated incremental borrowing rate as the discount rate for the subscription.
- The subscription term includes the noncancellable periods of the subscription. Subscription payments are included in the measurement of the subscription liabilities and are composed of fixed payments.
- The Authority monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

Deferred Outflows and Inflows of Resources

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

- Contributions subsequent to the measurement date for pensions and OPEB are always a deferred outflow; these will be applied to the net pension and OPEB liabilities in the next fiscal year.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Compensated Absences

All salaried and full-time hourly employees are granted vacation benefits in varying amounts to specified maximums depending on length of service with the Authority. Vacation can be accumulated up to the maximum allowed depending on service. If an employee's accrued vacation leave balance exceeded the maximum amount during the year ended June 30, 2025, the employee was allowed to carry over the extra time due to the Authority being established as a separate entity from the County effective for fiscal year 2025. For years after 2025, employees will no longer be allowed to carry over a balance in excess of the maximum amounts. Sick leave is earned each month and may be accumulated without limit. The Authority accrues accumulated unpaid vacation and sick leave and associated employee costs when earned (or estimated to be earned) by the employee. Upon separation from the Authority, unused vacation will be paid out within one month of the employee's last day at their current rate of pay. If an employee dies during employment or retires from employment and is approved to receive a VRS benefit, or if an employee resigns with 20 years of service, unused sick leave will be paid out at a rate of \$4 per hour, not to exceed \$15,000. The balances earned that are estimated to be used or taken, valued at current pay rates at year-end, are included in long-term liabilities on the statement of net position.

Pension Plan

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

Other Postemployment Benefits Plans

Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program Other Postemployment Benefit ("OPEB") Liability, deferred outflows of resources, and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Disability Program

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee VLDP OPEB asset, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB, and the Political Subdivision Employee VLDP OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP; and the additions to/deductions from the VRS Political Subdivision Employee VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Retiree Healthcare Program

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

Operating Revenues and Expenses

The Authority's policy is to report all revenues and expenses resulting from providing rental of the HSEC and athletic field to customers as operating revenues and expenses.

Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and consist of two sections: net investment in capital assets and unrestricted. Net investment in capital assets represents capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Unrestricted amounts may be designated for specific purposes by action of management or the Board of Directors.

Adoption of New Accounting Standard

Effective July 1, 2024, the Authority adopted GASB Statement No. 101, *Compensated Absences*. Statement No. 101 provides guidance on the recognition and measurement guidance for compensated absences. The implementation of this pronouncement did not have a material impact on the Authority's financial statements. No restatement of prior period net position was necessary.

Note 2 – Cash and Cash Equivalents

The Authority's cash and cash equivalents balance is comprised of cash held by the Authority and by the management company of the HSEC. At June 30, 2025, the carrying value of the Authority's deposits with bank was \$884,408, and the bank balance was \$1,050,903. The Authority's deposits with financial institutions are fully covered by federal depository insurance or collateralized in accordance with the Virginia Security of Public Deposits Act (the "Deposits Act"). Under the Deposits Act, banks or financial institutions holding public depositories in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The cash balance held by the management company of the HSEC is not protected by the Deposits Act. At June 30, 2025, the amounts on deposit exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) by \$263,391.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Note 3 – Capital Assets

Capital assets at June 30, 2025, were composed of the following amounts:

	Balance at July 1, 2024	Additions	Deletions/ Transfers	Balance at June 30, 2025
Capital assets, not being depreciated:				
Land	\$ 4,510,000	\$ -	\$ -	\$ 4,510,000
Capital assets, being depreciated:				
Equipment	-	45,475	-	45,475
Subscriptions	25,586	75,283	-	100,869
Total assets, being depreciated	25,586	120,758	-	146,344
Less accumulated depreciation/amortization:				
Equipment	-	(2,165)	-	(2,165)
Subscriptions	-	(20,272)	-	(20,272)
Total accumulated depreciation/amortization	-	(22,437)	-	(22,437)
Capital assets, being depreciated, net	25,586	98,321	-	123,907
Total capital assets, net	<u>\$ 4,535,586</u>	<u>\$ 98,321</u>	<u>\$ -</u>	<u>\$ 4,633,907</u>

Note 4 – Subscription-Based Information Technology Arrangements

The Authority has subscription-based technology arrangements (SBITA) for the use of tourism software and digital signage at the HSEC. The Authority uses discount rates of 3.75% - 4.22% based on risk-free U.S. Treasury rates for the various subscription agreements. The Authority recognized subscription liabilities of \$75,283 for the agreement that began during the fiscal year ended June 30, 2025. During 2025, the Authority reported SBITA amortization and interest expense of \$20,272 and \$2,438, respectively, which is included in depreciation and amortization expense and interest expense, respectively, in the statement of revenues, expenses, and changes in net position. Payments are due annually through 2029.

Future maturities are as follows at June 30:

Year Ending	Principal	Interest	Total
2026	\$ 24,160	\$ 27,114	\$ 51,274
2027	19,863	21,864	41,727
2028	15,030	16,351	31,381
2029	15,676	16,351	32,027
	<u>\$ 74,729</u>	<u>\$ 81,680</u>	<u>\$ 156,409</u>

SBITA assets totaling \$100,869, offset by accumulated amortization of \$20,272 are included in capital assets on the statement of net position as of June 30, 2025. See Note 3 above.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Note 5 – Long-Term Liabilities

Long-term liability activities for the year ended June 30, 2025, were as follows:

	Balance at July 1, 2024	Increase	Decrease	Balance at June 30, 2025	Due Within One Year
OPEB liability (Note 7)	\$ 37,531	\$ 8,478	\$ -	\$ 46,009	\$ -
Compensated absences*	111,833	34,440	-	146,273	146,273
Subscription liability (Note 4)	25,586	75,283	(26,140)	74,729	24,160
	<u>\$ 174,950</u>	<u>\$ 118,201</u>	<u>\$ (26,140)</u>	<u>\$ 267,011</u>	<u>\$ 170,433</u>

* The change in compensated absences above is a net change for the year.

Note 6 –Pension Plan

Plan Description

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2023, actuarial valuation, the Authority’s benefit plan would have been combined with that of the County. As such, the employees of the Authority would have been covered by the benefit terms of the County’s pension plan. The Authority’s plan had seven active participants for the year ended June 30, 2025.

Contributions

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

The Authority’s contractually required contribution rate for the year ended June 30, 2025, was 6.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023, when the Authority’s benefit plan was combined with that of the County.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$52,095 for the year ended June 30, 2025. There are no contributions to report for the year ended June 30, 2024, as fiscal year 2025 was the first year of the Authority's participation in the Plan.

Net Pension Liability (Asset)

There was no pension liability or asset measured for the Authority for the fiscal year ended June 30, 2025, as this was the first year of Plan participation.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 52,095	\$ -

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as an increase or decrease of the net pension asset or liability, respectively, in the year ended June 30, 2026.

Note 7 – Other Postemployment Benefits (OPEB) - Retiree Healthcare

Plan Description

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

Healthcare Benefits

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

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

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

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Membership

Membership for the postemployment healthcare benefits consisted of at June 30, 2024, the most recent valuation date:

	Members
Active employees	7

Funding Policy

The County currently contributes amounts to the Virginia Pooled OPEB Trust Fund for the postemployment healthcare benefits. The Board of the Trust Fund establishes rates based on an actuarially determined rate. Contributions are irrevocable and shall be dedicated to providing other postemployment benefits or to defray reasonable expenses of the Trust Fund. While the County contributes to a trust fund, none of the fiduciary net position of the trust fund are allocated to the Authority. The Authority made pay-as-you-go contributions to cover benefit payments of \$235 for the year ended June 30, 2025.

OPEB Liability and OPEB Expense

For purposes of measuring the postemployment Healthcare OPEB liability, deferred outflows, and deferred inflows of resources, OPEB expense and the additions to/deductions from net fiduciary position have been determined on the same basis as they were reported as of June 30, 2025. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2025, the Authority reported a postemployment Healthcare OPEB liability of \$46,009. For the year ended June 30, 2025, the Authority recognized Healthcare OPEB expense of \$8,713.

The Authority's Healthcare OPEB liability is as follows at June 30, 2025:

Total Healthcare OPEB liability	\$ 46,009
Fiduciary net position	-
Healthcare OPEB liability	\$ 46,009

Changes in the Healthcare OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	OPEB Liability (a) – (b)
Balances at June 30, 2024	\$ 37,531	\$ -	\$ 37,531
Changes for the year:			
Service cost	5,804	-	5,804
Interest	2,909	-	2,909
Contributions - employer	-	235	(235)
Experience losses (gains)	-	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(235)	(235)	-
Net changes	8,478	-	8,478
Balances at June 30, 2025	\$ 46,009	\$ -	\$ 46,009

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Actuarial Methods and Assumptions

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

In the June 30, 2024, actuarial valuation, which was used for the June 30, 2025, measurement date for other postemployment healthcare benefits, the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 6.75% discount rate of return, 2.5% annual salary increase, and an annual healthcare cost trend rate of 7% trending uniformly to 5.60% over the next three years. The remaining closed amortization period beginning July 1, 2017, for the calculation of contributions, was 20 years. Experience gains or losses are amortized over the average working lifetime of all participants, which is five years for the current period. Plan amendments are recognized immediately. Investment gains or losses are amortized over a five-year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants. The County plans to continue to fund the OPEB Trust annually and has no plans to currently pay any benefits out of the OPEB Trust.

Mortality Rates

Pre-Commencement:

Pub-2010 General Government Healthy Annuitant Headcount Weighted Tables; set forward two years for females with no adjustment for males. Future mortality improvement is projected to be fully generational with 75% MP-2021 Improvement Scale.

Post-Commencement:

Pub-2010 General Government Healthy Annuitant Headcount Weighted Tables; 110% for females with no adjustment for males. Future mortality improvement is projected to be fully generational with 75% MP-2021 Improvement Scale.

Post-Disablement:

Pub-2010 General Government Disabled Headcount Weighted Tables; set forward three years for males and females. Future mortality improvement is projected to be fully generational with 75% MP-2021 Improvement Scale.

Beneficiaries and Survivors:

Pub-2010 General Government Contingent Survivor Headcount Weighted Tables; 110% for males and females. Future mortality improvement is projected to be fully generational with 75% MP-2021 Improvement Scale.

Discount Rate

The discount rate used to measure the total Healthcare OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made equal to the actuarially determined contribution rates.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Sensitivity of the Healthcare OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
Healthcare OPEB liability	\$ 51,472	\$ 46,009	\$ 41,229

Sensitivity of the Healthcare OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease 6.00% Decreasing to 4.6% Over 3 Years	Current Rate 7.00% Decreasing to 5.6% Over 3 Years	1% Increase 8.00% Decreasing to 6.6% Over 3 Years
Healthcare OPEB liability	\$ 39,099	\$ 46,009	\$ 54,230

Deferred Outflows and Inflows of Resources Related to Healthcare OPEB

At June 30, 2025, the Authority reported no deferred outflows of resources or deferred inflows of resources related to the Healthcare OPEB.

Note 8 – Other Postemployment Benefits Programs – Virginia Retirement System Plans

In addition to their participation in the pension plan offered through the VRS, the Authority also participates in various cost-sharing and agent multiple-employer other postemployment benefit plans, described as follows.

Plan Description

Group Life Insurance Program

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

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

Specific information for the GLI is available at <https://www.varetire.org/benefits-and-programs/benefits/life-insurance/>.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

The GLI Program is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost-sharing plan.

General Employee Virginia Local Disability Program

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of local governments who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS General Employee Virginia Local Disability Program (VLDP).

The General VLDP are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

Specific information about VLDP is available at <https://www.varetirement.org/hybrid/benefits/disability/virginia-local-disability-program.html>.

Contributions

Contributions to the VRS OPEB program were based on actuarially determined rates from actuarial valuations as of June 30, 2023. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability, with the exception of GLI, which was also combined with employee contributions. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:

Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.

Total rate:

1.18% of covered employee compensation. Rate allocated 60/40; 0.71% employee and 0.47% employer. Employers may elect to pay all or part of the employee contribution.

June 30, 2025 contribution

\$3,949

June 30, 2024 contribution

There are no contributions to report for the year ended **June 30, 2024**, as fiscal year 2025 was the first year of program participation.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

General Employee Virginia Local Disability Program

Governed by:	<i>Code of Virginia</i> 51.1-778(C) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.
Total rate:	0.74% of covered employee compensation.
June 30, 2025 contribution	\$3,968
June 30, 2024 contribution	There are no contributions to report for the year ended June 30, 2024 , as fiscal year 2025 was the first year of program participation.

OPEB Liability, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

There were no OPEB liabilities measured for the Authority for the fiscal year ended June 30, 2025, as this was the first year of participation in the programs.

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

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 3,949	\$ -

General Employee Virginia Local Disability Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 3,968	\$ -

The deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liabilities in the year ending June 30, 2026.

Note 9 – Other Postemployment Benefits (OPEB) Summary

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

	Retiree Healthcare	VRS VLDP	VRS GLI	Total
Other post-employment benefits liability	\$ 46,009	\$ -	\$ -	\$ 46,009
Deferred outflows of resources:	\$ -	\$ 3,968	\$ 3,949	\$ 7,917
Other post-employment expense	\$ 8,713	\$ -	\$ -	\$ 8,713

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

Note 10 – Commitments

Henrico Sports and Events Center (HSEC)

The Authority executed a lease agreement with the County on July 24, 2024, for the HSEC. The term of the lease is 30 years, with the option to renew for an additional three successive periods of ten years, with an annual consideration of \$1. As part of the lease agreement, the Authority agreed to operate and manage the HSEC. The building and all facilities shall revert to the County at termination of the lease.

Baseball Field

On June 19, 2025, the Authority entered into a lease and development agreement with PBR Tournaments VA Diamonds, LLC ("Developer") to develop a baseball field complex on land that will be owned by the Authority in Glover Park. The property will be conveyed to the Authority from the County once the County determines that the property is ready for development. Ultimately, the parcels, which are referred to as Site 1 and Site 2 in the agreement, will be owned by the Authority and leased to the Developer.

The Developer is responsible for the development of Site 1. The Authority will make a one-time payment for costs incurred by the Developer for a one-story building on Site 1. The amount of the reimbursement will equal the lesser of a million dollars or the amount supported by documentation submitted by the Developer to the Authority.

The Authority will work with the County for the development and construction on Site 2. Site 2 will then be leased by the Authority to the Developer. The lease for Site 2 will commence either on July 1, 2025, or the date the last temporary certificate of occupancy was issued, whichever comes first. The initial term of the lease is for twenty years and provides for extensions of six successive five year periods. Rent for the first year is \$60,000 and will increase annually by two percent. The properties had not been conveyed to the Authority from the County as of June 30, 2025.

ASM

The Authority entered into an agreement with ASM Global Arena Management, LLC ("ASM") on August 18, 2023, for the management of the HSEC. The agreement is for an initial term of five years and can be renewed for up to five additional one-year periods. As part of the agreement, ASM receives various compensation in return for managing the HSEC on behalf of the Authority.

The agreement provides for an annual fixed fee of \$108,000 in 2025 then adjusted on the first day of each fiscal year during the term of the agreement by the percentage change in the consumer price index, not to exceed 3%. The total fees paid for the year ended June 30, 2025, were \$126,000, which includes \$18,000 in catch-up payments for the prior fiscal year. The total is included in the Henrico Sports & Event Center expenses on the statement of revenues, expenses, and changes in net position. The agreement also provides for an annual incentive fee based on the percentage of the increase in operating revenue over the benchmarks established by the parties. The fee does not apply until the fiscal year ended June 30, 2026.

The agreement also provides for the split of sponsorship revenue based on certain terms and conditions specified in the agreement. The total owed to ASM by the Authority for its portion of sponsorship revenue at June 30, 2025, was \$48,087.

The agreement also requires that gross alcohol sales are split 90% and 10% between ASM and the Authority, respectively. At June 30, 2025, the balance owed to ASM for their portion of alcohol sales, net of associated expenses, was \$62,123.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Financial Statements

June 30, 2025

The agreement also provides for ASM to receive a food and beverage fee of 4% of gross food and beverage sales, excluding alcohol, for the first two years of the agreement. After the first two years, the fee then increases to 7%. However, the event count and event attendance must increase each year following the first two years of operations in order for ASM to earn the fee. The total of the fees earned by ASM for the year ended June 30, 2025, was \$44,968 and is included in the Henrico Sports and Events Center expenses on the statement of revenues, expenses, and changes in net position. At June 30, 2025, the Authority owed a total of \$20,427 for food and beverage fees to ASM. All amounts due to ASM are included in accounts payable and accrued expenses on the statement of net position.

Note 11 – New Accounting Standards

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves 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 as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, *Disclosure of Certain Capital Assets*. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

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

Note 12 – Subsequent Events

On January 22, 2026, the County conveyed the Site 2 property located in Glover Park to the Authority. The tax assessed value of the property was \$381,300 as of January 2026. On February 13, 2026, the County conveyed the Site 1 property located in Glover Park to the Authority. The tax assessed value of the property was \$213,600 as of January 2026. The Authority considers the tax assessed values to approximate fair market value for purposes of financial reporting of contributed land.

On April 28, 2026, the lease and development agreement between the Authority and Developer was amended to add the commencement date of the lease of July 1, 2027. The other terms of the lease remain unchanged. The amendment also requires the Authority to reimburse the Developer \$747,865 for cost of the installation of a synthetic turf on Site 1 as required by the agreement.



Required Supplementary Information

Schedule of Employer Pension Contributions

Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution (Deficiency) Excess	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2025	\$ 52,095	\$ 52,095	\$ -	\$ 840,243	6.20%

This schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability with Related Ratios

	Plan Year	
	2024	2023
TOTAL OPEB LIABILITY		
Service cost	\$ 5,804	\$ 5,437
Interest	2,909	2,373
Employer contributions	(235)	(220)
Net change in total OPEB liability	8,478	7,590
Total OPEB liability, beginning	37,531	29,941
Total OPEB liability, ending (a)	46,009	37,531
PLAN FIDUCIARY NET POSITION*		
Contributions - employer	235	220
Benefit payments, including refunds of employee contributions	(235)	(220)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position, beginning	-	-
Plan fiduciary net position, ending (b)	-	-
Net OPEB liability, beginning	37,531	29,941
Net OPEB liability, ending (a) - (b)	\$ 46,009	\$ 37,531
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%
Employer's covered-employee payroll	\$ 861,249	\$ 840,243
Net OPEB liability as a percentage of covered-employee payroll	5%	4%

*No assets have been accumulated in a trust or equivalent arrangement for the payment of future benefits.

This schedule is intended to show information for 10 years. Since fiscal year 2024 (plan year 2023) was the first year for this presentation, no earlier data is available before fiscal year 2024. Additional years will be included as they become available.

Schedule of Employer OPEB Contributions

<u>Year Ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
RETIREE HEALTHCARE PROGRAM					
2025	\$ 10,281	\$ 235	\$ (10,046)	\$ 861,249	0.03%
2024	\$ 11,933	\$ 220	\$ 8,661	\$ 840,243	0.03%
GROUP LIFE INSURANCE					
2025	\$ 3,949	\$ 3,949	\$ -	\$ 840,243	0.47%
VIRGINIA LOCAL DISABILITY PLAN					
2025	\$ 3,968	\$ 3,968	\$ -	\$ 536,275	0.74%

This schedule is intended to show information for 10 years. Additional years will be added as they become available.

Sports & Entertainment Authority of Henrico County, Virginia

Notes to Required Supplementary OPEB Information

June 30, 2025

Note 1 – Changes of Benefit Terms

Healthcare OPEB Plan

There was no previous actuarial valuation prepared for the Authority.

Note 2 – Changes of Assumptions

Actuarial Assumptions (Healthcare OPEB Plan)

There was no OPEB liability measured for the Authority for the fiscal year ended June 30, 2025 as this was the first year of operations. As a result, there was no historical information that could be provided for an actuarial valuation to be completed for the fiscal year ended June 30, 2025.



Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

To the Honorable Members of the Board of Directors
Sports & Entertainment Authority of Henrico County, Virginia
Henrico, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Sports & Entertainment Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financials, and have issued our report thereon dated June 9, 2026.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-003, 2025-004, 2025-005, 2025-006, 2025-008, and 2025-009 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001, 2025-002, 2025-007, 2025-010, and 2025-011 to be significant deficiencies.

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 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 that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Glen Allen, Virginia
June 9, 2026

Sports & Entertainment Authority of Henrico County, Virginia

Summary of Compliance Matters

June 30, 2025

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

State Compliance Matters

Code of Virginia:

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Local Retirement Systems

Uniform Disposition of Unclaimed Property Act

Sports & Entertainment Authority of Henrico County, Virginia

Schedule of Findings and Responses

June 30, 2025

A – Summary of Auditor’s Results

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

B – Findings – Financial Statement Audit

2025-001: Inventory (Significant Deficiency)

Condition During our testing over inventory at the Henrico Sports and Events Center (the “HSEC”), we noted the following deficiencies by ASM Global accounting staff:

- Support was not adequately maintained for the inventory quantities at year end and that an inventory count had not been performed at year end.
- The cost of one inventory item selected for testing had been mis keyed into the inventory system.

Criteria In order to ensure the accuracy of the inventory balances at year-end, inventory counts, especially at year-end, should be completed to support and update the count in the inventory system. Supporting documentation from the inventory counts should also be maintained. Cost of inventory items should be accurately entered into the inventory system to ensure that inventory is appropriately valued.

Cause ASM Global’s Food and Beverage department had not yet established adequate controls to verify that inventory counts were conducted and appropriate documentation was maintained. Additionally, as the current inventory system is relatively new to the team, staff members are still in the process of becoming proficient with its use.

Effect Inventory balances for the HSEC reflected in the Authority’s financial statements could be misstated.

Recommendation We recommend the following:

- ASM Global staff within the Food and Beverage department should perform a monthly inventory count and update the inventory system based on these results. Supporting documentation from the inventory counts also should be retained. There should be a review of the results of the counts against the inventory system by a qualified reviewer, who is not involved with performing the inventory counts.
- A qualified reviewer, independent of the data entry process, should compare the recorded inventory costs in the system to the supporting invoices for verification.

View of Responsible Officials Management concurs with the finding. ASM Global has implemented procedures requiring monthly inventory counts and a year-end physical inventory, with supporting documentation maintained. Inventory counts are reviewed and reconciled to the inventory system, and inventory costs are verified to supporting documentation prior to entry.

Responsible for implementation: Concession Manager, Food & Beverage Assistant Director,

Sports & Entertainment Authority of Henrico County, Virginia

Schedule of Findings and Responses

June 30, 2025

Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor implementation through periodic review of inventory reports and related reconciliations.

Implementation: December 2025, Fully operational: May 2026, and will continue on an ongoing basis.

2025-002: Prepaid Expenses (Significant Deficiency)

Condition During our testing of HSEC prepaid expenses, we noted the following errors in financial accounting and reporting by ASM Global accounting staff:

- Prepaid balances that should have been recognized as expenses for the year ended June 30, 2025.
- An instance in which both a prepaid expense and an accounts payable were recorded for the same item.

Criteria In order to ensure the accuracy of the prepaid expense balances, schedules and associated support should be maintained to track prepayments and the expensing of those prepayments made during the year.

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Prepaid balances for HSEC reflected in the Authority's financial statements could be materially misstated.

Recommendation We recommend that ASM Global accounting staff develop a schedule to track the prepayments made during the year. The schedule should also clearly indicate the specific period (e.g., month or quarter) that each prepayment covers, including start and end dates. The schedule should be updated monthly by ASM Global accounting staff to track the amount to expense, if any, and the amount to remain in prepaid expenses. We also recommend that the schedule be reconciled monthly to the accounting system. The schedule and any additional support should be provided to a qualified reviewer, who is not responsible for maintenance of the schedule. The review should include an individual from the ASM Global accounting team and the Authority's Accounting Manager. We also suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. ASM Global has implemented procedures to maintain a prepaid expense schedule to track prepayments and ensure proper expense recognition. The schedule is updated and reconciled to the general ledger on a monthly basis and reviewed by management.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor compliance through review of financial reports.

Implementation: December 2025, Fully operational: May 2026, and will continue on an

Sports & Entertainment Authority of Henrico County, Virginia

Schedule of Findings and Responses

June 30, 2025

ongoing basis.

2025-003: Event Income and Deferred Revenue (Material Weakness)

Condition During our testing of HSEC event liabilities, we noted the following errors in financial accounting and reporting by ASM Global accounting staff:

- Deferred revenue was being recorded, with an offsetting receivable, based on the date it was billed by ASM Global accounting staff. Deferred revenue should be recorded at the time payment is received. As a result, receivables and deferred revenues were overstated at year end.
- The audit team also encountered difficulties with agreeing the amounts recorded as revenue back to supporting documentation provided for testing event income. As a result, management had to perform reconciliations between the support provided and amounts recorded in the accounting system concurrent with the audit process. There were also instances where the differences could not be explained.

Criteria In order to ensure the accuracy of deferred revenue, schedules should be maintained to track deposits paid in advance of an event and the recognition of those amounts to revenue at the time the event takes place. Files for each event should be maintained to support the revenue recorded. The information in the file should be reconciled to the revenue recorded at the end of the event to ensure the accuracy of the information.

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Deferred revenue and event income for HSEC reflected in the Authority's financial statements was materially misstated.

Recommendation We recommend that ASM Global accounting staff create a schedule to track the deposits received during the fiscal year for current and future events. This schedule should be updated monthly by ASM Global accounting staff to determine the amount that should be recognized as revenue, if any, and the amount to remain in deferred revenue. We also recommend that the schedule be reconciled monthly to the accounting records. The schedule and any additional support should be provided to a qualified reviewer, who is not responsible for maintenance of the schedule. The review should include an individual from the ASM Global accounting team and the Authority's Accounting Manager.

We recommend that event files be established and maintained for each event. The information in the event file should be reconciled back to the accounting system at the end of each event. This reconciliation and support should be reviewed by someone, other than the preparer, who is a qualified reviewer. The review should include an individual from the ASM Global accounting team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to ensure

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deferred revenue is recorded upon receipt and recognized as revenue when earned. Supporting schedules and event documentation are maintained and reconciled to the accounting system on a monthly basis and reviewed by management.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of reported balances and reconciliations.

Implementation: December 2025, Fully operational: 1st Quarter 2026, and will continue on an ongoing basis.

2025-004: Sponsorship Revenue and Related Liabilities (Material Weakness)

Condition During our testing of HSEC sponsorship revenue and related liabilities, we noted the following errors in financial accounting and reporting by ASM Global accounting staff:

- There were errors in the amounts recorded as revenues. This resulted in audit adjustments posted to correct the revenue, deferred revenue, and balances owed to ASM Global for their portion of the sponsorship total.
- The general ledger detail for the associated liability accounts was being used to track the liability totals. There was no actual reconciling schedule maintained to track the balances related to sponsorship revenue, deferred revenue, and the total owed to ASM Global for their portion.

Criteria In order to ensure the accuracy of sponsorship revenue and related liabilities, schedules should be created and maintained, based on agreement terms and payment of the balances, to track the amount to recognize as revenue and the amount that should remain in deferred revenue. The schedule should also be used to track the portion of the total that belongs to ASM Global and the Authority, as the associated revenue is earned.

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Deferred revenue, balance owed to ASM Global, and sponsorship revenue for HSEC reflected in the Authority's financial statements were materially misstated.

Recommendation We recommend that ASM Global accounting staff create a schedule to track the sponsorships, based on agreement terms and payment of the balances. The schedule should track the portion of the total sponsorship that belongs to ASM Global and the Authority. The ASM Global accounting staff should update the schedule monthly to determine both the amount of revenue to recognize (if any), the amount to remain in deferred revenue, and the amount owed to ASM Global as revenue is recognized. We also recommend that the schedule be reconciled monthly to the accounting records. The schedule and any supporting documentation should be provided to a qualified reviewer, who is not the preparer. The review should include an individual from the ASM Global accounting team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and

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financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. ASM Global has implemented procedures to maintain a sponsorship tracking schedule based on contractual terms, which is updated monthly and reconciled to the accounting system.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of financial reporting.

Implementation: December 2025, Fully operational: May 2026, and will continue on an ongoing basis.

2025-005: Payroll and Related Accruals (Material Weakness)

Condition During our testing over HSEC payroll and related accruals, we noted the following errors in financial accounting and reporting by ASM Global accounting staff:

- There were still balances outstanding from the prior year and current year that remain unpaid related to 401k contributions and state unemployment insurance at June 30, 2025.
- The payroll for the period ending June 15, 2025, was paid and posted twice with errors. The errors were then corrected in a subsequent pay period. However, the duplicated payroll was never adjusted to reflect the balance as a prepaid expense at June 30, 2025, until audit fieldwork.
- Adjustments had to be posted as of June 30, 2025, to reflect the bonus and related accrual for certain ASM Global staff for the current year and prior year.

Criteria Payroll and related accruals should be properly recorded and reconciled back to supporting documentation. Payments on accrued payroll balances should be reviewed and paid timely.

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Payroll and related liability balances for the HSEC reflected in the Authority's financial statements could be materially misstated.

Recommendation We recommend the following:

- ASM Global accounting staff at the HSEC work with their corporate office to ensure that bills for 401k contributions are remitted and paid monthly.
- Payroll reports from ADP should be reconciled to the various payroll accounts, including the liabilities, as each pay period is processed. The reconciliation and supporting payroll reports should be provided to someone, other than the preparer, who is a qualified reviewer. The review should include an individual from the ASM Global accounting team and the Authority's Accounting Manager. We also recommend that the appropriate payroll reports be submitted to the Authority along with the requests for funds. If errors are discovered subsequent to payroll being processed, the errors should then be corrected on the next payroll.
- Bonuses for the ASM Global staff for a given fiscal year should either be calculated at year end or subsequent to year end to ensure that the balance is recorded in the proper period. The calculation and supporting documentation should be reviewed

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by a qualified reviewer, who did not prepare the calculation. The review should include an individual from the ASM Global accounting team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to ensure payroll activity is reconciled each pay period, related liabilities are remitted timely, and accruals are recorded in the appropriate period.

Responsible for implementation: ASM Global Accounting Clerk/Payroll Coordinator, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of payroll summaries and related financial information.

Implementation: December 2025, Fully operational: May 2026, and will continue on an ongoing basis.

2025-006: Supporting Documentation (Material Weakness)

Condition During the course of our audit, we noted an overall lack of (1) consistently available supporting documentation from ASM Global accounting staff and (2) reconciliation by ASM Global accounting staff to source documents of general ledger balances and amounts. Additionally, in some cases, the supporting schedules provided by ASM Global accounting staff were incomplete, including notes and questions that had not been resolved. As a result, we encountered significant difficulties with the interpretation of the information provided to us to audit and significant delays throughout the audit process. Additionally, material adjustments were required throughout the audit process in order to align the financial records with GAAP.

Criteria The Authority and ASM Global should maintain records supporting all financial statement amounts and balances. Reconciliations should be performed in a timely manner by qualified individuals and questions should be resolved immediately. These records and reconciliations should be maintained in good order in order to be referenced with reasonable ease.

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Balances related to the HSEC reflected in the Authority's financial statements were materially misstated.

Recommendation We recommend that ASM Global accounting staff create schedules, outside of the general ledger, to track and support the various balances and totals. We also recommend that all schedules provided to the audit team be reviewed by a qualified reviewer, who did not prepare the schedule. Balances and totals should be reconciled timely during the year, and any noted issues or differences should be brought to the attention of Authority staff as they are discovered.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to standardize supporting documentation and ensure schedules are complete, accurate, and suitable for

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audit purposes, with required management review prior to submission.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of documentation as part of its audit oversight responsibilities.

Implementation: December 2025, Fully operational: May 2026, and will continue on an ongoing basis.

2025-007: Management Fees (Significant Deficiency)

Condition During our testing over management fees paid by the Authority to ASM Global, we noted that a total of \$18,000 related to the prior year was recorded in the fiscal year ended June 30, 2025. As a result, the total management fees expense was overstated in the current year.

Criteria Management fees should be appropriately recorded in the period in which they are related. Additionally, management fees should be based upon the criteria stipulated in the management agreement.

Cause ASM Global's corporate office fell behind on billing the HSEC for the management fees. There was also a lack of reconciliation and review being done by the ASM Global accounting staff of actual management fees billed compared to the terms of the management agreement.

Effect Management fees for the HSEC reflected in the Authority's financial statements could be materially misstated.

Recommendation We recommend that the ASM Global accounting staff at the HSEC work with their corporate office to ensure that management fees are billed timely on a monthly basis. We also recommend that associated bills be reconciled monthly to the accounting system and reviewed in conjunction with the terms of the management agreement. The reconciliation should be reviewed by someone other than the preparer, who is a qualified reviewer. The review should include an individual from the ASM Global team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to ensure management fees are recorded in the appropriate period, reconciled monthly to contractual terms, and billed monthly.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of financial statements and related schedules.

Implementation: November 2025, Fully operational: May 2026, and will continue on an ongoing basis.

2025-008: Concession Revenue (Material Weakness)

Condition During our testing of HSEC concession revenue, we noted that the information being captured by Clover, ASM Global's concession point-of-sale system, was not being reconciled by ASM Global accounting staff to the accounting records. As a result, the accounting records

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were not complete and accurate which lead to the need for correcting audit adjustments for overstated amounts.

Criteria All activity from the concession point of sales system should be appropriately and properly recorded in the accounting records of the HSEC.

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Concession revenue and related liabilities for the HSEC reflected in the Authority's financial statements were materially misstated.

Recommendation We recommend that Clover, ASM Global's concession point-of-sale system, be reconciled by ASM Global accounting staff to the accounting system monthly. The reconciliation and supporting documentation should be reviewed by someone other than the preparer, who is a qualified reviewer. The review should include an individual from the ASM accounting Global team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to reconcile activity from the concession point-of-sale system to the accounting records on a monthly basis. Revenue entries are recorded on a daily basis.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through analytical review of reported revenues.

Implementation: November 2025, Fully operational: May 2026, and will continue on an ongoing basis.

2025-009: Accounts Payable and Expenses (Material Weakness)

Condition During our testing over HSEC accounts payable and expenses, we noted the following errors in financial accounting and reporting by ASM Global accounting staff:

- Expenses for electric bills and the related payable for the current year were incorrectly recorded in the subsequent year.
- Expenses for electric bills and the related payable for the prior year were incorrectly recorded in the current year.
- Expenses for housekeeping services and the related payables for the subsequent year were incorrectly recorded in the current year.
- Understatement of current year insurance expense because of the reversal of the prior year accrual that should not have been recorded in the prior year.
- Invoices related to Clover, concession point-of-sale system, for the current year were received subsequent to year end and recorded in the wrong period.

Criteria All expenses and related payables should be accurately recorded and reflected in the

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appropriate period to which they relate

Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Expenses and related payables for the HSEC reflected in the Authority's financial statements were materially misstated.

Recommendation We recommend that invoices and the posting of those invoices received after year end be reviewed by a qualified reviewer, who is not responsible for entering the invoices into the accounting system. We also recommend that the accounts payable aging and supporting invoices are reviewed by a qualified reviewer monthly to ensure that the payables and related expenses are appropriately captured at month end. These reviews should include an individual from the ASM accounting Global team and the Authority's Accounting Manager.

We also recommend that ASM Global accounting staff work with their corporate office to determine what the insurance costs will be for each year at the start of each fiscal year to ensure that the expenses are recorded appropriately for the year.

We also recommend that information for the HSEC provided to vendors is reviewed by ASM Global accounting staff to ensure that the information, including the address, is accurate. We also recommend that ASM Global accounting staff actively reach out to vendors to ensure that invoices are received timely.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to strengthen controls over expense recognition and cutoff, including monthly review of accounts payable and supporting documentation.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of financial reports and account analyses.

Implementation: May 2026, Fully operational: 1st Quarter 2026, and will continue on an ongoing basis.

2025-010: Rebate Revenue (Significant Deficiency)

Condition During our testing over HSEC revenue, we noted the following errors in financial accounting and reporting by ASM Global accounting staff:

- Rebates received from a vendor related to the sales of their products at the HSEC for the prior year were incorrectly recorded in the current year.
- Revenues related to the rebate for the period January to June 2025 were not recorded and accrued at year end.

Criteria Revenue and related accruals should be accurately recorded and reflected in the appropriate period to which they relate.

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Cause During the fiscal year under ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Revenues and related accruals for the HSEC reflected in the Authority's financial statements were misstated.

Recommendation We recommend that ASM Global accounting staff at the HSEC request a monthly report from vendors that provide the rebate revenues and totals paid to the HSEC. The reports received should then be reconciled to the accounting system, and any necessary adjustments made to ensure the accounting records are complete and accurate. The reconciliation should be reviewed by someone other than the preparer, who is a qualified reviewer. These reviews should include an individual from the ASM Global accounting team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to obtain vendor reports and reconcile rebate revenue to the accounting records on a monthly basis.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor through review of revenue reporting.

Implementation: May 2026, Fully operational: 1st Quarter 2026, and will continue on an ongoing basis.

2025-011: Capital Assets (Significant Deficiency)

Condition During our testing over HSEC expenses, we noted that the purchase of a security system was expensed rather than capitalized by ASM Global accounting staff:

Criteria All capital assets purchased for the HSEC with Authority funds should be appropriately capitalized.

Cause During the fiscal year ended June 30, 2025, there was turnover in ASM Global's accounting staff at the HSEC. The position was filled during the year; however, the turnover caused the staff to fall behind in keeping the financial records up to date. There were weaknesses in the design and implementation of internal controls at the HSEC during the year that did not prevent and detect errors on a timely basis.

Effect Capital assets for the HSEC reflected in the Authority's financial statements omit the security system purchased during the year, which is not in accordance with GAAP nor the Authority's capitalization policy.

Recommendation We recommend that invoices and the posting of those invoices be reviewed by a qualified reviewer, who is not responsible for entering the invoices into the accounting system, to ensure that capital assets are appropriately recorded. These reviews should include an individual from the ASM accounting Global team and the Authority's Accounting Manager.

We further suggest granting the Authority's Accounting Manager read-only access to the

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HSEC's accounting system, so they can help oversee and review the transactions and financial records managed by ASM Global.

View of Responsible Officials Management concurs with the finding. Procedures have been implemented to ensure capital asset purchases are properly identified and recorded in accordance with established policies, including review prior to posting.

Responsible for implementation: ASM Global Accounting Clerk, Accounting Manager, and Director of Venue Finance. The Authority will monitor capital activity through review of financial reporting.

Implementation: May 2026, Fully operational: 1st Quarter 2026, and will continue on an ongoing basis.

C – Findings – Commonwealth of Virginia

None noted.