

Economic Development Authority of the City of Richmond, Virginia

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

Financial Statements

Year Ended June 30, 2016



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Economic Development Authority of the City of Richmond, Virginia, a component unit of the City of Richmond, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of the City of Richmond, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Authority of the City of Richmond, Virginia as of June 30, 2016, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the Economic Development Authority of the City of Richmond, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Economic Development Authority of the City of Richmond, Virginia's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Richmond, Virginia
December 21, 2016**

Management's Discussion and Analysis

Management's Discussion and Analysis of the financial performance of the Economic Development Authority of the City of Richmond, Virginia (Authority) provides an overview of the financial activities for the years ended June 30, 2016 and 2015. It should be read in conjunction with the financial statements.

Overview of the financial statements

The Authority receives operating funds from the rental of a parking lot and an office building, the RVA Works Center, where it operates an incubator program for new businesses and provides low cost office space, business services, and mentoring. It also receives funds for managing loan portfolios of the City of Richmond, Virginia. The Authority acts as the fiscal agent and maintains separate fiduciary accounts for each of these portfolios.

Government-wide statement of net position

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

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 4,302,308	\$ 2,241,369
Property and equipment, net	16,446,229	24,911,449
Other assets	<u>22,614,613</u>	<u>2,890,069</u>
Total assets	<u>\$ 43,363,150</u>	<u>\$ 30,042,887</u>
Liabilities:		
Current liabilities	\$ 1,634,239	\$ 2,879,707
Revenues received in advance	1,995,839	1,607,089
Recoverable grant payable	31,415,000	16,612,355
Notes payable, long-term	<u>532,422</u>	<u>532,422</u>
Total liabilities	35,577,500	21,631,573
Net position	<u>7,785,650</u>	<u>8,411,314</u>
Total liabilities and net position	<u>\$ 43,363,150</u>	<u>\$ 30,042,887</u>

There was an increase in cash and cash equivalents of \$2,060,939, primarily due to funds advanced on the Stone Brewery project.

There was a decrease in property, plant, and equipment of \$8,465,220, primarily due to the lease of the Stone Brewery project.

There was an increase in other assets of \$19,724,544, primarily due to the recording of the capital lease of the Stone Brewery property.

There was a decrease in current liabilities of \$1,245,468, primarily due to the payment of the balance due to the contractors for the construction of the Stone Brewery.

There was an increase in advance receipt of revenues of \$388,750, primarily due to the receipt of the additional installment of the Leigh Street Property naming rights.

There was an increase in recoverable grant payable of \$14,802,645, primarily due to the funds received for the Stone Brewery project from the City of Richmond.

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

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

	<u>2016</u>	<u>2015</u>
Assets:		
Cash	\$ 9,215,603	\$ 11,856,134
Notes and interest receivable, net of allowance	4,071,094	1,576,867
Other current assets	6,479	-
Equipment, net	<u>566</u>	<u>1,848</u>
Total assets	<u>\$ 13,293,742</u>	<u>\$ 13,434,849</u>
Liabilities:		
Accounts payable	\$ -	\$ 25,108
Due to the City of Richmond	<u>13,293,742</u>	<u>13,409,741</u>
Total liabilities	<u>\$ 13,293,742</u>	<u>\$ 13,434,849</u>

There was a decrease in cash of \$2,640,531, primarily due to new loans made from the EDHLF program.

There was an increase in notes and interest receivable of \$2,494,227, primarily due to new loans funded out of the EDHLF program

There was a decrease in amounts due to the City of Richmond of \$115,999, primarily due to funds expended on the CARE programs.

Government-wide statement of activities

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

	<u>2016</u>	<u>2015</u>
Revenues:		
Grant from the City of Richmond	\$ 7,058,920	\$ 2,326,382
Rental income	1,061,598	974,392
Loan administration fees	36,900	37,050
Sponsorship fees	443,333	443,333
Naming rights fees	4,000,000	2,000,000
Other	<u>110,449</u>	<u>128,478</u>
Total revenues	<u>\$ 12,711,200</u>	<u>\$ 5,909,635</u>
Expenses:		
Economic development incentives	\$ 6,025,000	\$ 1,951,383
Restoration grants	4,000,000	2,000,000
Building operations and maintenance	494,767	516,251
Depreciation	877,253	875,469
Interest	808,552	-
Other	<u>1,131,292</u>	<u>996,916</u>
Total expenses	<u>\$ 13,336,864</u>	<u>\$ 6,340,016</u>
Change in net position	<u>\$ (625,664)</u>	<u>\$ (430,381)</u>

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

There was an increase in restoration grants of \$2,000,000, primarily due to receiving the final two years' worth of funds for restoration of the Altria Theater all during 2016.

Grant revenue from the City of Richmond, Virginia exceeded grant expenses by \$1,033,920, primarily due to the grant received from the City for the Façade Program.

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

Accomplishments and economic outlook

During the year ended June 30, 2016, the Authority serviced the Commercial Area Revitalization Effort (CARE) Program for the City of Richmond. The CARE Program is designed to revitalize and return economic viability to older neighborhood districts, primarily in the City's low and moderate-income communities. The Extra CARE Program operates in non-CARE commercial areas in need of revitalization and/or stabilization. There were 51 CARE and Extra CARE rebates disbursed totaling \$171,397 during FY 2016. This public investment figure stimulated approximately \$2,400,000 in private investment, helped to create 46 jobs, retain 81 jobs, and support the opening of 9 new businesses.

The Authority administrators approximately \$22,000,000 in capitalized loan funds for the Financial Strategies Group (FSG) in the Department of Economic and Community Development. This past year was a solid year in debt deployed, jobs created/retained and new rooftops. In FY16, the FSG's revolving loan programs closed \$2,482,503 (6 loans & 2 grants). The Economic Development & Housing Revolving Loan Fund (EDH-RLF) provided debt on two catalytic economic development real estate projects with the total development costs in the amount of \$14,000,000. Both projects were individual housing projects as part of the City of Richmond's comprehensive commitment to the retail and commercial redevelopment of the Highland Park and Bellmeade neighborhoods. When completed in FY17, these two projects will have added 109 units of affordable housing (77 rentals & 32 single family) to both seniors and first time homebuyers. The approximately \$12,000,000 in private investment primarily came in the form of tax credit equity and owner's equity. The economic impact was a total of 11 new full time jobs with 12 jobs retained by small businesses because of the EDA's capital injections.

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

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

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

The Authority completed the first phase of the Stone Brewery Project during 2016. The Authority has a twenty five year lease on the property with the first lease payment being made in July, 2016. The Stone Brewery Project is expected to have a material positive impact on the statement of revenues, expense and changes in net position on the Authority for the foreseeable future. A second phase of the project is expected to be completed by 2020. The completed project should generate up to 400 jobs.

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

Requests for information

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

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

Government-Wide Financial Statements

Year Ended June 30, 2016

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 4,302,308	\$ 4,302,308
Rent receivables	-	6,639	6,639
Other receivables	-	38,051	38,051
Prepaid expenses	-	23,218	23,218
Net investment in capital lease receivable	-	392,319	392,319
Total current assets	-	4,762,535	4,762,535
Noncurrent assets:			
Property and equipment, net of accumulated depreciation	2,554,186	13,892,043	16,446,229
Net investment in capital lease receivable, less current portion	-	21,933,262	21,933,262
Other noncurrent assets	-	221,124	221,124
Total noncurrent assets	2,554,186	36,046,429	38,600,615
Total assets	<u>\$ 2,554,186</u>	<u>\$ 40,808,964</u>	<u>\$ 43,363,150</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 657,037	\$ 657,037
Accrued interest payable	-	77,231	77,231
Deposits and reserves	-	290,504	290,504
Rents received in advance	-	24,467	24,467
Current portion of recoverable grants payable	-	585,000	585,000
Total current liabilities	-	1,634,239	1,634,239
Noncurrent liabilities:			
Recoverable grant payable	-	31,415,000	31,415,000
Notes payable, long term	-	532,422	532,422
Sponsorship fee received in advance	-	1,995,839	1,995,839
Total current liabilities	-	33,943,261	33,943,261
Total liabilities	-	35,577,500	35,577,500
NET POSITION			
Net investment in capital assets	2,554,186	13,892,043	16,446,229
Unrestricted	-	(9,012,577)	(9,012,577)
Restricted	-	351,998	351,998
Total net position	2,554,186	5,231,464	7,785,650
Total liabilities and net position	<u>\$ 2,554,186</u>	<u>\$ 40,808,964</u>	<u>\$ 43,363,150</u>

See accompanying notes.

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Activities
Year Ended June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Operating revenues:			
Naming rights fees	\$ 4,000,000	\$ -	\$ 4,000,000
Sponsorship fee	-	443,333	443,333
Rental income	-	1,061,598	1,061,598
Loan administration fees	-	36,900	36,900
Other	-	89,129	89,129
Total operating revenues	<u>4,000,000</u>	<u>1,630,960</u>	<u>5,630,960</u>
Operating expenses:			
Restoration grant	4,000,000	-	4,000,000
Personnel	-	277,828	277,828
Professional services	-	89,817	89,817
Internet and telephone services	-	41,319	41,319
Bad debt expense	-	4,772	4,772
Building operations and maintenance	-	494,767	494,767
Rent	-	40,560	40,560
Other	-	676,996	676,996
Depreciation	478,988	398,265	877,253
Total operating expenses	<u>4,478,988</u>	<u>2,024,324</u>	<u>6,503,312</u>
Operating loss	<u>(478,988)</u>	<u>(393,364)</u>	<u>(872,352)</u>
Non-operating revenues (expenses):			
Grants from the City of Richmond	-	7,058,920	7,058,920
Economic development incentives	-	(6,025,000)	(6,025,000)
Interest expense	-	(808,552)	(808,552)
Interest income	-	21,320	21,320
Total non-operating revenues	<u>-</u>	<u>246,688</u>	<u>246,688</u>
Change in net position	(478,988)	(146,676)	(625,664)
Net position, beginning of year	<u>3,033,174</u>	<u>5,378,140</u>	<u>8,411,314</u>
Net position, end of year	<u>\$ 2,554,186</u>	<u>\$ 5,231,464</u>	<u>\$ 7,785,650</u>

See accompanying notes.

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

Governmental Fund Financial Statements

Year Ended June 30, 2016

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Balance Sheet
June 30, 2016

	<u>Theater Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
FUND BALANCE	
Unassigned	\$ -
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position:	
Total fund balance per Governmental Fund Balance Sheet	\$ -
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds:	
Capital assets, cost	14,512,067
Accumulated depreciation	<u>(11,957,881)</u>
	<u>2,554,186</u>
Net position of governmental activities	<u>\$ 2,554,186</u>

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2016

	<u>Theater Fund</u>
Revenues:	
Naming rights fees	<u>\$ 4,000,000</u>
Expenditures:	
Restoration grant	<u>4,000,000</u>
Change in fund balance	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to Statement of Activities	
Change in fund balance, total governmental fund	<u>\$ -</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. Details supporting this adjustment are as follows:	
Depreciation expense	<u>(478,988)</u>
Change in net position of governmental activities	<u><u>\$ (478,988)</u></u>

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Net Position
Enterprise Funds
June 30, 2016

	Major Funds			Non-Major Fund	
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	RVA Works Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,370,337	\$ 760,821	\$ 1,164,505	\$ 6,645	\$ 4,302,308
Rent receivables	-	-	-	6,639	6,639
Other receivables	300	-	37,751	-	38,051
Prepaid expenses	-	20,280	-	2,938	23,218
Net investment in capital lease receivable, current portion	-	-	392,319	-	392,319
Total current assets	<u>2,370,637</u>	<u>781,101</u>	<u>1,594,575</u>	<u>16,222</u>	<u>4,762,535</u>
Non-current assets:					
Property and equipment, net of accumulated depreciation	-	10,963,072	636,225	2,292,746	13,892,043
Net investment in capital lease receivable	-	-	21,933,262	-	21,933,262
Other noncurrent assets	-	221,124	-	-	221,124
Total noncurrent assets	<u>-</u>	<u>11,184,196</u>	<u>22,569,487</u>	<u>2,292,746</u>	<u>36,046,429</u>
Total assets	<u>\$ 2,370,637</u>	<u>\$ 11,965,297</u>	<u>\$ 24,164,062</u>	<u>\$ 2,308,968</u>	<u>\$ 40,808,964</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 638,229	\$ 18,808	\$ 657,037
Accrued interest payable	-	-	77,231	-	77,231
Reserves and deposits	250,182	28,000	-	-	278,182
Customer deposits	-	-	-	12,322	12,322
Rents received in advance	22,000	-	-	2,467	24,467
Current portion of recoverable grants payable	-	-	585,000	-	585,000
Total current liabilities	<u>272,182</u>	<u>28,000</u>	<u>1,300,460</u>	<u>33,597</u>	<u>1,634,239</u>
Noncurrent liabilities:					
Recoverable grants payable, long term	-	9,000,000	22,415,000	-	31,415,000
Notes payable, long term	-	-	532,422	-	532,422
Sponsorship fee received in advance	-	1,995,839	-	-	1,995,839
Total noncurrent liabilities	<u>-</u>	<u>10,995,839</u>	<u>22,947,422</u>	<u>-</u>	<u>33,943,261</u>
Total liabilities	<u>272,182</u>	<u>11,023,839</u>	<u>24,247,882</u>	<u>33,597</u>	<u>35,577,500</u>
NET POSITION					
Net investment in capital assets	-	10,963,072	636,225	2,292,746	13,892,043
Unrestricted	1,746,457	(10,021,614)	(720,045)	(17,375)	(9,012,577)
Restricted	351,998	-	-	-	351,998
Total net position	<u>2,098,455</u>	<u>941,458</u>	<u>(83,820)</u>	<u>2,275,371</u>	<u>5,231,464</u>
Total liabilities and net position	<u>\$ 2,370,637</u>	<u>\$ 11,965,297</u>	<u>\$ 24,164,062</u>	<u>\$ 2,308,968</u>	<u>\$ 40,808,964</u>

See accompanying notes.

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
Year Ended June 30, 2016

	Major Funds			Non-Major Fund	
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	RVA Works Fund	Total
Operating revenues:					
Sponsorship fee	\$ -	\$ 443,333	\$ -	\$ -	\$ 443,333
Rental income	24,387	762,925	-	274,286	1,061,598
Loan administration fees	36,900	-	-	-	36,900
Other	957	88,172	-	-	89,129
Total operating revenues	62,244	1,294,430	-	274,286	1,630,960
Operating expenses:					
Personnel	41,625	137,687	-	98,516	277,828
Professional services	20,250	59,217	-	10,350	89,817
Internet and telephone services	-	3,764	-	37,555	41,319
Bad debt	-	-	-	4,772	4,772
Building operations and maintenance	-	318,061	-	176,706	494,767
Rent	-	40,560	-	-	40,560
Other	202,398	451,361	215	23,022	676,996
Depreciation	-	292,973	-	105,292	398,265
Total operating expenses	264,273	1,303,623	215	456,213	2,024,324
Operating loss	(202,029)	(9,193)	(215)	(181,927)	(393,364)
Nonoperating revenues (expenses):					
Grants from the City of Richmond	7,058,920	-	-	-	7,058,920
Economic development incentives	(6,025,000)	-	-	-	(6,025,000)
Interest expense	-	-	(808,552)	-	(808,552)
Interest income	20,984	308	28	-	21,320
Total nonoperating revenues (expenses)	1,054,904	308	(808,524)	-	246,688
Income (loss) before transfers	852,875	(8,885)	(808,739)	(181,927)	(146,676)
Transfers in (out)	(147,042)	-	68,404	78,638	-
Change in net position	705,833	(8,885)	(740,335)	(103,289)	(146,676)
Net position, beginning of year	1,392,622	950,343	656,515	2,378,660	5,378,140
Net position, end of year	\$ 2,098,455	\$ 941,458	\$ (83,820)	\$ 2,275,371	\$ 5,231,464

See accompanying notes.

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

Statement of Cash Flows

Enterprise Funds

Year Ended June 30, 2016

	Major Funds			Non-Major Fund	
	Operating Fund	Leigh St. Fund	Stone Brewery Fund	RVA Works Fund	Total
Cash flows from operating activities:					
Receipt from sponsorship fee	\$ -	\$ 832,083	\$ -	\$ -	\$ 832,083
Receipts from rentals	24,387	762,925	-	267,116	1,054,428
Receipts from loan administration	36,000	-	-	-	36,000
Receipts from other activities	1,557	88,172	-	-	89,729
Payments for operating activities	(264,273)	(1,012,590)	(215)	(340,601)	(1,617,679)
Net cash provided (used) by operating activities	(202,329)	670,590	(215)	(73,485)	394,561
Cash flows from noncapital financing activities:					
Receipts from City of Richmond grants	7,058,920	-	-	-	7,058,920
Economic development incentive payments	(6,025,000)	-	-	-	(6,025,000)
Deposits to escrows and reserves	-	(152,307)	-	-	(152,307)
Transfers between funds	(147,042)	-	68,404	78,638	-
Net cash provided (used) by noncapital financing activities	886,878	(152,307)	68,404	78,638	881,613
Cash flows from investing activities:					
Interest earned	20,984	308	28	-	21,320
Cash flows from capital and related financing activities:					
Deposit received on sale of building	250,182	-	-	-	250,182
Proceeds from sale of equipment	-	-	-	1,020	1,020
Purchases of equipment	-	(5,952)	-	(3,110)	(9,062)
Cash paid for interest	-	-	(25,071)	-	(25,071)
Proceeds (payments) from recoverable grant payable	-	(500,000)	17,923,346	-	17,423,346
Payments for capital assets	-	-	(16,876,970)	-	(16,876,970)
Net cash provided (used) by capital and related financing activities	250,182	(505,952)	1,021,305	(2,090)	763,445
Net increase in cash and cash equivalents	955,715	12,639	1,089,522	3,063	2,060,939
Cash and cash equivalents, beginning of year	1,414,622	748,182	74,983	3,582	2,241,369
Cash and cash equivalents, end of year	<u>\$ 2,370,337</u>	<u>\$ 760,821</u>	<u>\$ 1,164,505</u>	<u>\$ 6,645</u>	<u>\$ 4,302,308</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:					
Operating loss	\$ (202,029)	\$ (9,193)	\$ (215)	\$ (181,927)	\$ (393,364)
Adjustments to reconcile operating loss to cash provided (used) by operating activities:					
Depreciation	-	292,973	-	105,292	398,265
Bad debt	-	-	-	4,772	4,772
Gain on sale of equipment	-	-	-	(1,020)	(1,020)
Change in asseets and liabilities:					
Receivables	(300)	-	-	(4,651)	(4,951)
Prepaid expenses	-	-	-	(373)	(373)
Accounts payable	-	(1,940)	-	6,941	5,001
Customer deposits	-	-	-	(1,705)	(1,705)
Prepaid revenue	-	388,750	-	(814)	387,936
Net cash provided (used) by operating activities	<u>\$ (202,329)</u>	<u>\$ 670,590</u>	<u>\$ (215)</u>	<u>\$ (73,485)</u>	<u>\$ 394,561</u>

Non-cash capital and related financing activities:

During 2016, the Stone Brewery Fund, in conjunction with the roll-over of the recoverable grant payable to a term note, financed \$409,223 in interest and \$303,972 in debt issuance costs. Also, in conjunction with the capital lease agreement, \$21,801,156 in construction in progress and \$524,425 in land was rolled over into a capital lease with a net investment value of \$22,325,581.

See accompanying notes.

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 9,215,603
Receivables, net of allowance for noncollectibles of \$128,668:	
Notes	4,044,544
Interest	26,550
Fee income	5,429
Prepaid expenses	1,050
Equipment, net of accumulated depreciation of \$21,534	<u>566</u>
Total assets	<u><u>\$ 13,293,742</u></u>

LIABILITIES

Due to the City of Richmond	<u><u>\$ 13,293,742</u></u>
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Notes to Financial Statements

1. Organization and Purpose

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

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

2. Summary of Significant Accounting Policies

Government-wide financial statements

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

Fund financial statements

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

Governmental fund – special revenue fund

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

Economic Development Authority of the City of Richmond, Virginia

Notes to Financial Statements

Enterprise funds

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

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

Fiduciary funds (agency funds)

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

Cash and cash equivalents

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

Rent receivables/allowance for doubtful accounts

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

Property and equipment

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

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

Recoverable grant payable

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

Use of estimates

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

Net position

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

Subsequent events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 21, 2016, the date the financial statements were available to be issued.

3. Activity in Current Fiscal Year

Leigh St. fund

The Authority has worked in cooperation with the City of Richmond, the Department of Economic and Community Development and other private parties to develop the Bon Secours Washington Redskins Training Center. To that end, the Authority entered into a long-term lease with the Commonwealth of Virginia to lease 15.040 acres of land within the City as well as contracts to build the facility. The foregoing was facilitated by a recoverable grant from the City of Richmond in the amount of ten million dollars. The facility was substantially complete at fiscal year-end 2013. The development of this property and the leasing and naming rights agreements associated with the project are intertwined with an additional property known as the Westhampton School Property. The City of Richmond and the Board of the Authority have agreed to transfer ownership of the Westhampton School Property to the Authority, which in turn will lease it to a third party under a long term lease. Both facilities will have a material impact on the Authority's statement of net position. Additionally, the Bon Secours Washington Redskins Training Center is expected to have a material positive impact on the statement of activities of the Authority for the foreseeable future. At June 30, 2016, the final payment on the naming rights agreement of \$831,250 had been received and recorded in deferred revenue. Pursuant to the agreement, the amount of revenue recognized in the current fiscal year was \$443,333, with a remaining deferred amount of \$1,995,839 to be earned evenly through December 2020.

Stone Brewery fund

The Authority is working with the City of Richmond and Stone Brewing Co. to develop the Stone Brewery facility. To that end, the Authority has entered into certain real estate transactions as well as construction contracts to build the facility. The foregoing is being facilitated by certain grants from the State and a recoverable grant from the City of Richmond. That facility was complete and operating at June 30, 2016. Upon completion of construction, the long-term use lease agreement between the Authority and Stone Brewing Co. became effective. Under the lease agreement, payments are scheduled to begin July 2016.

4. Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the *Code of Virginia*. Under the provisions of the Act, banks and savings institutions holding public deposits in excess of the amounts insured by federal depository insurance must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized. At June 30, 2016, the Authority had deposits, including agency fund deposits, in excess of federally insured limits of \$11,889,501.

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

5. Property and Equipment

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Fund				
Land	\$ 142,165	\$ -	\$ -	\$ 142,165
Buildings and improvements	<u>14,369,902</u>	<u>-</u>	<u>-</u>	<u>14,369,902</u>
	14,512,067	-	-	14,512,067
Accumulated depreciation	<u>(11,478,893)</u>	<u>(478,988)</u>	<u>-</u>	<u>(11,957,881)</u>
Total property and equipment governmental funds	<u>\$ 3,033,174</u>	<u>\$ (478,988)</u>	<u>\$ -</u>	<u>\$ 2,554,186</u>
Enterprise Funds				
Land	\$ 2,324,228	\$ -	\$ (524,425)	\$ 1,799,803
Buildings and improvements	17,441,850	9,062	-	17,450,912
Equipment	550,225	-	(4,080)	546,145
Construction in process	<u>7,072,604</u>	<u>14,728,552</u>	<u>(21,801,156)</u>	<u>-</u>
	27,388,907	14,737,614	(22,329,661)	19,796,860
Accumulated depreciation	<u>(5,510,632)</u>	<u>(398,265)</u>	<u>4,080</u>	<u>(5,904,817)</u>
Total property and equipment, enterprise funds	<u>\$ 21,878,275</u>	<u>\$ 14,339,349</u>	<u>\$ (22,325,581)</u>	<u>\$ 13,892,043</u>
Agency Funds				
Equipment	\$ 22,100	\$ -	\$ -	\$ 22,100
Accumulated depreciation	<u>(20,252)</u>	<u>(1,282)</u>	<u>-</u>	<u>(21,534)</u>
Total property and equipment, agency funds	<u>\$ 1,848</u>	<u>\$ (1,282)</u>	<u>\$ -</u>	<u>\$ 566</u>
Total of All Funds				
Land	\$ 2,466,393	\$ -	\$ (524,425)	\$ 1,941,968
Buildings and improvements	31,811,752	9,062	-	31,820,814
Equipment	572,325	-	(4,080)	568,245
Construction in process	<u>7,072,604</u>	<u>14,728,552</u>	<u>(21,801,156)</u>	<u>-</u>
	41,923,074	14,737,614	(22,329,661)	34,331,027
Accumulated depreciation	<u>(17,009,777)</u>	<u>(878,535)</u>	<u>4,080</u>	<u>(17,884,232)</u>
Total property and equipment, all funds	<u>\$ 24,913,297</u>	<u>\$ 13,859,079</u>	<u>\$ (22,325,581)</u>	<u>\$ 16,446,795</u>

Total depreciation expense for all funds for the year ended June 30, 2016 was \$878,535.

6. Lease Receivable

The Authority has executed a capital lease agreement with Koochenvagner's Brewing Co. (d/b/a Stone Brewing Co.) for land, building, and equipment. The capital lease has a value of \$43,506,657 at June 30, 2016, which equals the total of future minimum payments under the lease terms, which is \$1,740,266 annually over the term of the lease which extends through June 2041. The financial statements include unearned income of \$21,181,076 related to unearned interest on the capital lease receivable. The following lists the components of the net investment in lease receivable as of June 30, 2016:

	<u>Minimum Lease Payments</u>	<u>Less Unearned Revenue</u>	<u>Net Investment</u>
Current portion	\$ 1,740,266	\$ (1,347,947)	\$ 392,319
Noncurrent portion	<u>41,766,391</u>	<u>(19,833,129)</u>	<u>21,933,262</u>
Total	<u>\$ 43,506,657</u>	<u>\$(21,181,076)</u>	<u>\$ 22,325,581</u>

7. Commitments and Contingencies

The Authority has executed performance agreements with certain local businesses on behalf of the City, which contain capital investment and employment goals. Upon completion of the specific requirements, the grant funds are awarded as stated in the performance agreements. At June 30, 2016, the Authority has outstanding performance agreements of approximately \$6,743,617 pending the accomplishment of the goals contained in the performance agreements.

During the year ended June 30, 2001, the Authority received a direct grant (award #01-01-3888) in the amount of \$775,000 from the U.S. Department of Commerce through the Federal Economic Development Administration. The grant was awarded to assist in the purchase and renovation of the Authority's incubator building and is repayable by the Authority should the incubator building be sold within the fifteen year grant period as said grantor agency is recorded as having a second lien on the building. This lien was released in October, 2015.

In May, 2016, the Authority entered into a purchase and sale agreement for the sale of the Authority's incubator building at 501 East Franklin Street. Under the terms of the agreement, the Authority received an earnest money deposit of \$250,000 which shall be held by the Authority and applied against the total purchase price of \$2,500,000 at the time of closing. Closing occurred in October 2016. See Note 17, Subsequent Events, for additional information.

8. Notes Receivable – Agency Funds

Commercial area revitalization effort

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

At June 30, 2016, the carrying value of loans receivable from the CARE program was \$245,839, less an uncollectible allowance of \$85,773. The fair value of these loans is not readily determinable. The Authority administered rebates in the amount of \$174,273 during the year ended June 30, 2016.

Contractor assistance program

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

At June 30, 2016, the carrying value of loans receivable from the CAP program was \$154,144, less an uncollectible allowance of \$19,375. The fair value of these loans is not readily determinable.

Revolving loan program

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

At June 30, 2016, the carrying value of loans receivable from the RLP program was \$541,625, less an uncollectible allowance of \$23,520. The fair value of these loans is not readily determinable.

Enterprise zone incentive loans

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

The EZIL Program is no longer being funded by the City. During the year ended June 30, 2011, all remaining loans receivable from the EZIL program were written off. The fund remains open to collect residual loan recovery payments. Recoveries from loans previously written off were \$2,444 during the year ended June 30, 2016.

Economic development and housing loan fund

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

During the fiscal year 2013, the City had drawn down the approved loan from the United States Department of Housing and Urban Development (HUD) in the amount of \$10,125,000 and transferred the proceeds to the Authority. At June 30, 2016, approximately five million in loans had been granted from these funds, of which \$3,231,604 was receivable at year end.

9. Conduit Debt

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

10. Incubator Project – RVA Works Fund

In December 1999, the Authority purchased the RVA Works building (previously called the Advantech building) at 501 E. Franklin Street in order to establish their new business "incubator" project, a project established to foster small businesses by helping them jump-start their set-up and business operations. Rental income for the year ended June 30, 2016 was \$274,286.

11. Notes Payable

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

Note payable to the Richmond Redevelopment and Housing Authority of \$282,422 due in annual interest-only payments of 6.00%, all unpaid principal and interest due at maturity, April 2030.	\$ 282,422
Note payable to the Restaurateur, Inc. of \$250,000 due in annual interest-only payments of 3.25%, all unpaid principal and interest due at maturity, February 2025. See Note 17 for additional information.	<u>250,000</u>
Total notes payable	<u>\$ 532,422</u>

12. Related Party Transactions

Enterprise funds

During the year ended June 30, 2016, the Authority received \$6,958,920 in economic development incentives from the City to be passed on to businesses operating within the City. Incentive grants of \$6,025,000 were paid out during the year. The Authority received an additional \$100,000 in the current year for the remaining funding of a Façade Improvement Grant Program for which \$450,000 was also received in the two prior years. Grants totaling \$20,067 were awarded under this program in the prior year and \$177,935 was awarded during the year ended June 30, 2016. The remaining balance of \$351,998 is classified as restricted net position on the statement of net position.

Agency funds

The Authority receives bookkeeping services from a third-party CPA firm. During 2000, the Authority, through the CARE program, loaned the CPA firm \$125,000. Interest only payments are required until May 2016 at which time the principal will be due in full. As of June 30, 2016, the balance had not been repaid and the loan is in the process of being refinanced.

13. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

14. Due to City of Richmond – Agency Fund

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

15. Recoverable Grant Payable – Enterprise Fund

Amounts noted as a recoverable grants payable are amounts payable to the City of Richmond. The funds were received from the City and were used for developing the Leigh Street and Stone Brewing projects. Funds must be paid back to the City in an amount equal to the initial outlay at the conclusion of the project. There have been no agreements or terms developed by the Authority or the City regarding repayment of the Leigh Street \$9,000,000 grant payable. During 2016, the terms of the Stone Brewing project grant payable were determined and are as follows:

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

23,000,000

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

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 585,000	\$ 851,563	\$ 1,436,563
2018	610,000	828,162	1,438,162
2019	635,000	803,763	1,438,763
2020	660,000	778,362	1,438,362
2021	685,000	751,963	1,436,963
Thereafter	19,825,000	8,955,413	28,780,413
Total	<u>\$ 23,000,000</u>	<u>\$ 12,969,226</u>	<u>\$ 35,969,226</u>

16. Interfund Transactions

Transfers between funds during the year were as follows:

	In	Out
Operating Fund	\$ -	\$ 147,042
RVA Works Fund	78,638	-
Stone Brewery Fund	68,404	-
Total	<u>\$ 147,042</u>	<u>\$ 147,042</u>

17. Subsequent Event

On September 30, 2016, the Authority closed on the sale of the RVA Works building located at 501 East Franklin Street. The sales price of the property was \$2,500,000 and the approximate book value of the property sold was \$2,293,000. In conjunction with the closing of the sale, the \$250,000 note payable to Restaurateur, Inc. described in Note 11 was renegotiated down to \$150,000 and was paid off at closing. The total transaction resulted in a net gain to the Authority of approximately \$307,000.

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

Compliance Section

Year Ended June 30, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and business-type activities of the Economic Development Authority of the City of Richmond, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Economic Development Authority of the City of Richmond, Virginia's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

**Richmond, Virginia
December 21, 2016**

Supplementary Information

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	Agency Funds						
	CARE	CAP	RLP	EZIL	EDHLF	Agency Operations	Total
ASSETS							
Cash and cash equivalents	\$ 245,862	\$ 778,676	\$ 1,000,350	\$ 219,857	\$ 6,955,782	\$ 15,076	\$ 9,215,603
Receivables, net of allowance							
Notes	160,066	134,769	518,105	-	3,231,604	-	4,044,544
Interest	1,305	309	10,022	-	14,914	-	26,550
Fee income	-	-	-	-	-	5,429	5,429
Prepaid expenses	1,050	-	-	-	-	-	1,050
Equipment, net of accumulated depreciation	-	566	-	-	-	-	566
Total assets	<u>\$ 408,283</u>	<u>\$ 914,320</u>	<u>\$ 1,528,477</u>	<u>\$ 219,857</u>	<u>\$ 10,202,300</u>	<u>\$ 20,505</u>	<u>\$ 13,293,742</u>
LIABILITIES							
Due to the City of Richmond, Virginia	<u>\$ 408,283</u>	<u>\$ 914,320</u>	<u>\$ 1,528,477</u>	<u>\$ 219,857</u>	<u>\$ 10,202,300</u>	<u>\$ 20,505</u>	<u>\$ 13,293,742</u>

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
CARE				
Assets:				
Cash	\$ 411,372	\$ 32,971	\$ (198,481)	\$ 245,862
Notes receivable, net	180,092	-	(20,026)	160,066
Interest receivable	865	1,305	(865)	1,305
Prepaid expenses	-	1,050	-	1,050
Total assets	<u>\$ 592,329</u>	<u>\$ 35,326</u>	<u>\$ (219,372)</u>	<u>\$ 408,283</u>
Liabilities:				
Due to City of Richmond	<u>\$ 592,329</u>	<u>\$ 35,326</u>	<u>\$ (219,372)</u>	<u>\$ 408,283</u>
CAP				
Assets:				
Cash	\$ 859,462	\$ (68,883)	\$ (11,903)	\$ 778,676
Notes receivable, net	56,239	-	78,530	134,769
Interest receivable	105	309	(105)	309
Equipment, net	1,848	-	(1,282)	566
Total assets	<u>\$ 917,654</u>	<u>\$ (68,574)</u>	<u>\$ 65,240</u>	<u>\$ 914,320</u>
Liabilities:				
Due to City of Richmond	<u>\$ 917,654</u>	<u>\$ (68,574)</u>	<u>\$ 65,240</u>	<u>\$ 914,320</u>
RLP				
Assets:				
Cash	\$ 1,016,684	\$ 2,682	\$ (19,016)	\$ 1,000,350
Notes receivable, net	497,569	26,015	(5,479)	518,105
Interest receivable	2,409	10,022	(2,409)	10,022
Total assets	<u>\$ 1,516,662</u>	<u>\$ 38,719</u>	<u>\$ (26,904)</u>	<u>\$ 1,528,477</u>
Liabilities:				
Due to City of Richmond	<u>\$ 1,516,662</u>	<u>\$ 38,719</u>	<u>\$ (26,904)</u>	<u>\$ 1,528,477</u>

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

(Continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
EZIL				
Assets:				
Cash	\$ 216,381	\$ 3,476	\$ -	\$ 219,857
Interest receivable	375	657	(1,032)	-
Total assets	<u>\$ 216,756</u>	<u>\$ 4,133</u>	<u>\$ (1,032)</u>	<u>\$ 219,857</u>
Liabilities:				
Due to City of Richmond	<u>\$ 216,756</u>	<u>\$ 4,133</u>	<u>\$ (1,032)</u>	<u>\$ 219,857</u>
EDHLF				
Assets:				
Cash	\$ 9,308,920	\$ 199,332	\$ (2,552,470)	\$ 6,955,782
Notes receivable, net	831,434	2,400,170	-	3,231,604
Interest receivable	2,351	14,914	(2,351)	14,914
Total assets	<u>\$ 10,142,705</u>	<u>\$ 2,614,416</u>	<u>\$ (2,554,821)</u>	<u>\$ 10,202,300</u>
Liabilities:				
Due to City of Richmond	<u>\$ 10,142,705</u>	<u>\$ 2,614,416</u>	<u>\$ (2,554,821)</u>	<u>\$ 10,202,300</u>
OPERATING				
Assets:				
Cash	\$ 43,315	\$ -	\$ (28,239)	\$ 15,076
Fee income receivable	5,428	1	-	5,429
Total assets	<u>\$ 48,743</u>	<u>\$ 1</u>	<u>\$ (28,239)</u>	<u>\$ 20,505</u>
Liabilities:				
Accounts payable	\$ 25,108	\$ -	\$ (25,108)	\$ -
Due to City of Richmond	23,635	1	(3,131)	20,505
	<u>\$ 48,743</u>	<u>\$ 1</u>	<u>\$ (28,239)</u>	<u>\$ 20,505</u>

Economic Development Authority of the City of Richmond, Virginia
(A Component Unit of the City of Richmond, Virginia)
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

(Continued)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<i>Total - All Agency Funds</i>				
Assets:				
Cash	\$ 11,856,134	\$ 169,578	\$ (2,810,109)	\$ 9,215,603
Notes receivable, net	1,565,334	2,426,185	53,025	4,044,544
Interest receivable	6,105	27,207	(6,762)	26,550
Fee income receivable	5,428	1	-	5,429
Prepaid expenses	-	1,050	-	1,050
Equipment, net	1,848	-	(1,282)	566
	<u>1,848</u>	<u>-</u>	<u>(1,282)</u>	<u>566</u>
Total assets	<u>\$ 13,434,849</u>	<u>\$ 2,624,021</u>	<u>\$ (2,765,128)</u>	<u>\$ 13,293,742</u>
Liabilities:				
Accounts payable	\$ 25,108	\$ -	\$ (25,108)	\$ -
Due to City of Richmond	13,409,741	2,624,021	(2,740,020)	13,293,742
	<u>13,409,741</u>	<u>2,624,021</u>	<u>(2,740,020)</u>	<u>13,293,742</u>
Total all agency funds	<u>\$ 13,434,849</u>	<u>\$ 2,624,021</u>	<u>\$ (2,765,128)</u>	<u>\$ 13,293,742</u>