

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**FINANCIAL REPORT**

**June 30, 2022**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

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**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**DIRECTORY OF PRINCIPAL OFFICIALS  
June 30, 2022**

**OFFICERS**

Braxton Naff  
Duke Baldrige  
William Poe  
Xavier Duckett

Chair  
Vice-Chair  
Treasurer  
Assistant Secretary/Treasurer

**DIRECTORS**

Terms Expiring October 20,

Xavier Duckett  
Matthew Fink  
Braxton Naff  
William Poe  
Stephanie Wyatt-Jones  
Duke Baldrige  
Ollie Howie

2022  
2022  
2023  
2024  
2023  
2025  
2025

**ATTORNEY-AT-LAW**

Glenn Feldmann Darby & Goodlatte

**INDEPENDENT AUDITORS**

Brown, Edwards & Company, L.L.P.

## **FINANCIAL SECTION**

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



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board  
Economic Development Authority of the City of Roanoke  
Roanoke, Virginia

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the accompanying financial statements of the Economic Development Authority of the City of Roanoke (the "Authority"), as of and for the year ended June 30, 2022, 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 respective financial position of the Economic Development Authority for the City of Roanoke as of June 30, 2022, and the change in financial position and cash flows thereof 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 other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibility 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; 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.

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.

## **Report on the Audit of the Financial Statements (Continued)**

### ***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 opinions. 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 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.

### ***Report on Summarized Comparative Information***

We have previously audited the Authority's 2021 financial statements, and in our report dated December 1, 2021, expressed an unmodified opinion on those financial statements. The 2021 financial information is provided for comparative purposes only. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Management has omitted the 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 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. Our opinion on the basic financial statements is not affected by this missing information.

## **Report on the Audit of the Financial Statements (Continued)**

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022 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 the Authority's 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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 26, 2022

# **BASIC FINANCIAL STATEMENTS**

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**EXHIBIT 1**

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**STATEMENT OF NET POSITION  
June 30, 2022**

	<b>2022</b>	<b>(For Comparative Purposes Only) 2021</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 2)		
Checking	\$ 1,000	\$ 1,100
Money market	2,448,061	1,941,061
Revolving loan fund	225,074	225,020
Restricted	1,013,764	-
Investment	2,986,236	-
Performance agreement receivable (Note 5)	1,253,077	1,212,983
Administrative fees receivable (Note 3)	60,345	37,695
Total current assets	<u>7,987,557</u>	<u>3,417,859</u>
Total assets	<u>7,987,557</u>	<u>3,417,859</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	75,000	-
Performance agreement payable (Note 5)	1,325,577	1,212,983
Discretionary grants payable, current (Note 7)	20,000	30,000
Total current liabilities	<u>1,420,577</u>	<u>1,242,983</u>
Noncurrent liabilities		
Discretionary grants payable, long-term (Note 7)	60,000	80,000
Total noncurrent liabilities	<u>60,000</u>	<u>80,000</u>
Total liabilities	<u>1,480,577</u>	<u>1,322,983</u>
<b>NET POSITION</b>		
Restricted	4,000,000	-
Unrestricted	2,506,980	2,094,876
Total net position	<u>\$ 6,506,980</u>	<u>\$ 2,094,876</u>

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
For the Year Ended June 30, 2022**

		(For Comparative Purposes Only)
	2022	2021
<b>OPERATING REVENUES</b>		
Roanoke City contributions (Notes 5, 6, and 8)		
Façade grants	\$ 108,863	\$ 65,382
Fire suppression retrofit and hookup grants	27,900	35,110
Building permit and development review fees rebate	32,266	47,592
Business security grants	-	500
CARES Act grants	-	1,209,750
ARPA grants	500,000	-
South Commonwealth Partners, LLC performance agreement	168,193	192,006
Ivy View, LLC performance grant	497,346	549,588
The Bridges performance agreement	515,038	471,389
Hist:RE Partners performance agreement	4,000,000	-
Power School performance agreement	72,500	-
University of Lynchburg administrative fees	35,215	35,635
Carilion Clinic administrative fees	238,728	239,418
Richfield Living administrative fees	37,695	37,695
Virginia Lutheran Homes administrative fees	31,664	33,025
Bond closing fees	10,207	13,644
COVID-19 Tri-Party Relief Loan (Note 9)	-	25,000
Miscellaneous income	1,112	2,470
Total operating revenues	6,276,727	2,958,204
<b>OPERATING EXPENSES</b>		
Roanoke City pass-through grants (Notes 5, 6, 8, and 9)		
COVID-19 Tri-Party Relief Loan	-	55,000
Façade grants	108,863	65,382
Fire suppression retrofit and hookup grants	27,900	35,110
Building permit and development review fees rebate	32,266	47,592
Business security grants	-	500
CARES Act grants	-	1,209,750
ARPA grants	220,000	-
South Commonwealth Partners, LLC performance agreement	168,193	192,006
Ivy View, LLC performance grant	497,346	549,588
The Bridges performance agreement	515,038	471,389
Power School performance agreement	145,000	-
City of Roanoke Economic Development Strategic Plan	48,118	-
CCAP - Virginia Western Community College (Note 7)	-	-
RAMP-Virginia Western Community College	-	100,000
GO Virginia	75,000	-
Professional fees	33,526	49,316
Miscellaneous expenses	2,145	11,446
Total operating expenses	1,873,395	2,787,079
Operating income	4,403,332	171,125
<b>NONOPERATING REVENUES</b>		
Interest income	22,572	5,523
Loss on investment	(13,800)	-
Total net nonoperating revenue	8,772	5,523
Change in net position	4,412,104	176,648
<b>Net position beginning at July 1</b>	2,094,876	1,918,228
<b>Net position ending at June 30</b>	\$ 6,506,980	\$ 2,094,876

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2022**

	<b>2022</b>	<b>(For Comparative Purposes Only) 2021</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from others	\$ 1,112	\$ 2,470
Receipts from bond fees	330,859	584,943
Receipts from grantors	5,882,012	2,579,334
Payments to suppliers	(35,671)	(68,501)
Payments to grantees	(1,680,130)	(2,639,334)
Net cash provided by operating activities	<u>4,498,182</u>	<u>458,912</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(3,000,000)	-
Interest received	22,536	5,523
Net cash provided by investing activities	<u>(2,977,464)</u>	<u>5,523</u>
Net increase in cash and cash equivalents	1,520,718	464,435
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning at July 1	2,167,181	1,702,746
Ending at June 30	<u>\$ 3,687,899</u>	<u>\$ 2,167,181</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 4,403,332	\$ 171,125
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in:		
Performance agreement receivable	(40,094)	(16,983)
Administrative fees receivable	(22,650)	225,526
Increase (decrease) in:		
Accounts payable	75,000	(7,739)
Performance agreement payable	112,594	16,983
Discretionary grants payable	(30,000)	70,000
Net cash provided by operating activities	<u>\$ 4,498,182</u>	<u>\$ 458,912</u>

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

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

Reporting entity

The Economic Development Authority of the City of Roanoke (the “Authority”) is a political subdivision of the Commonwealth of Virginia created by the Council of the City of Roanoke on October 21, 1968 pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 *et seq.*, of the *Code of Virginia* (1950) as amended). The Authority is governed by seven directors appointed by the Council of the City of Roanoke, Virginia. The Authority promotes industry and develops trade by encouraging manufacturing, industrial, governmental, and commercial enterprises to locate or remain in Roanoke. To this end, the Authority issues low-interest, tax-free industrial revenue bonds to acquire and improve property and equipment, oversee performance agreements and grants provided by the City of Roanoke and provide other incentive grants.

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

Measurement focus and basis of accounting

The Authority’s financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority are administrative fees, incentive agreements, and grants and fees. Operating expenses include contributions to industries and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating.

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

Cash and cash equivalents

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

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

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

Investments

Investments with a maturity date of greater than one year from the date of purchase are stated at fair value and investments with a maturity date of one year or less from the date of purchase are stated at amortized cost, which approximates fair value, in accordance with U.S. GAAP. The Authority determines fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Authority uses a market approach as the valuation technique for Level 2 inputs. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

Administrative fees

The Authority receives administrative fees annually from bond holders. The fee is calculated based on a percentage of 1/10 or 1/16 of 1 percent, depending on the agreement, multiplied by the balance outstanding on the bonds at yearend.

Pass-through grants

Performance agreements and Enterprise Zone grants are funded by the City of Roanoke through the Authority. See Note 5 for performance agreements. The Authority records these pass-through grants as revenue with a corresponding expense. The performance agreements are tracked and calculated by the City of Roanoke. See Note 6 for Enterprise Zone grants. The grants are tracked and calculated by the Authority.

Net position

Net position is the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 2.     Deposits and Investments**

Deposits

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

Investments

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank; the African Development Bank; “prime quality” commercial paper; and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (“LGIP”).

Interest rate risk

Interest rate risk is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates. The Authority’s investment policy limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, it follows the *Code of Virginia* for investment compliance matters.

Deposit and investment restrictions

The Authority has \$4 million in restricted cash and investments with a corresponding restricted net position. This amount is the performance agreement to be paid to Hist:Re Partners, LLC (see Note 5) for the construction of the Campbell Court bus station. The Authority has invested \$3 million of the restricted cash in a federal agency bond.

Investments fair value

The Authority’s investment in a federal agency bond of \$2,986,236 is measured at fair value using Level 2 inputs in accordance with GASB 72, which are inputs, other than quoted prices that are observable for the asset or liability, either directly or indirectly. The bond has a maturity greater than one year as of June 30, 2022.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 3. Administrative Fees Receivable**

Amounts due from bond holders related to administrative fees at June 30, 2022 are as follows:

University of Lynchburg	\$ 35,215
Richfield Living	<u>25,130</u>
	<u>\$ 60,345</u>

**Note 4. Conduit Debt**

The Authority issues revenue bonds and notes to acquire and finance improvements of property and equipment; the bonds are then immediately sold or leased. The notes and bonds, as to principal and interest, are payable solely from lease payments or payments on notes receivable. These obligations are considered conduit debt and the Authority is not obligated to pay the principal, interest, or any other costs associated with the bonds, and thus no associated assets, liabilities, revenue or expenses with respect to these bonds are recognized in the financial statements.

As of June 30, 2022, the Authority has outstanding amounts of \$534,111,591 of Industrial Development Revenue Bonds and Notes, pursuant to Chapter 49, Title 15.1 of the Code of Virginia (1950), as amended. A schedule of revenue bonds and notes outstanding is included in this report as supplementary information.

**Note 5. Performance Agreements**

**South Commonwealth Partners, LLC**

The Authority acts as a conduit between Roanoke City and South Commonwealth Partners, LLC ("SCP"). A performance agreement dated December 18, 2013 granted SCP up to 50% of the amount of revenue Roanoke City actually receives during the preceding grant year. Funding is contingent on SCP meeting certain benchmarks related to the construction of a hotel. Funds of \$168,193 were earned by SCP during the year ended June 30, 2022. A receivable and corresponding payable have been recorded for the amount earned. The agreement matured in 2021 and final payment was made in 2022.

**Ivy View, LLC**

The Authority acts as a conduit between Roanoke City and Ivy View, LLC ("Ivy View"). A performance agreement dated July 1, 2012 granted up to 50% of the amount of revenue Roanoke City actually receives during the preceding grant year. Funding is contingent on Ivy View meeting certain benchmarks related to development of a certain property. Funds of \$497,346 were earned by Ivy View during the year ended June 30, 2022. A receivable and corresponding payable have been recorded for the amount of revenue earned during the year. The receivable as of June 30, 2022 is an estimate. Funds of \$378,618 were unearned by June 30, 2022. The agreement matures when funding amount has been reached.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 5. Performance Agreements (Continued)**

**Roanoke River Investments, LLC “The Bridges”**

The Authority acts as a conduit between Roanoke City and Roanoke River Investments, LLC (“The Bridges”). A performance agreement dated August 14, 2012 granted up to 75% of the amount of revenue Roanoke City actually receives during the preceding grant year. Funding is contingent on The Bridges meeting certain benchmarks related to development of infrastructure related to a certain property. Funds of \$515,038 were earned by The Bridges during the year ended June 30, 2022. A receivable and corresponding payable have been recorded for the amount of revenue earned during the year. The receivable as of June 30, 2022 is an estimate. Funds of \$5,088,966 were unearned by June 30, 2022. The agreement matures in 2024.

**Atlantic Credit & Finance, Inc.**

The Authority acts as a conduit between Roanoke City and the Atlantic Credit & Finance, Inc. (“ACF”). A performance agreement dated January 17, 2018 granted ACF up to \$500,000. Funding is contingent on ACF meeting certain benchmarks related to the leasing of an existing building and creating new jobs. No funds were earned by ACF during the year ended June 30, 2022. Funds of \$500,000 were unearned by June 30, 2022. The agreement matured in June 2022 and will not be renewed.

**PowerSchool Group, LLC**

The Authority acts as a conduit between Roanoke City and PowerSchool Group, LLC (“PG”). A performance agreement dated December 20, 2017 granted PG up to \$250,000. Funding is contingent on PG moving its operations to a new location and creating new jobs. No funds were earned by PG during the year ended June 30, 2022. The agreement matured March 2022. The Virginia Economic Development Partnership closed out the agreement and determined in June 2022 that the Authority is responsible for a payment of \$145,000. The Authority recorded a payable for that amount and a \$72,500 receivable for the City of Roanoke’s portion.

**Hist:Re Partners, LLC**

The Authority acts as a conduit between Roanoke City and Hist:Re Partners, LLC (“Hist:Re”). Three related performance agreements dated June 19, 2019 granted Hist:Re up to \$2,000,000 for public infrastructure improvements, \$2,000,000 for special construction requirements, and \$1,500,000 for project completion. Funding is contingent on meeting certain benchmarks related to the purchase and development of a bus station. No funds were earned by Hist:Re during the year ended June 30, 2022. Funds of \$5.5 million were unearned by June 30, 2022. The Authority received from Roanoke City \$4 million which is reported on the Statement of Net Position as restricted cash. The agreement matures when the funding amounts have been reached.

(Continued)



**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 6. Enterprise Zone Grants**

The Authority acts as a conduit between Roanoke City's Department of Economic Development and qualified businesses.

**Facade Grants**

The purpose of the Facade Grant Program is to visually improve Enterprise Zone One. The grants will encourage investment and improvement of real property within Enterprise Zone One, decrease vacancy, and improve vibrancy of the area. The lesser of \$25,000 or 33% of total facade renovation construction cost may be granted. Disbursements for the year ended June 30, 2022 were \$108,863.

As of June 30, 2022, grants totaling \$89,913 had been authorized by the Authority, but reimbursement had not been requested, approved, or paid.

**Fire Suppression Retrofit Grants and Hookup Grants**

The purpose of the Fire Suppression Retrofit and Fire Hookup Grant Program is to encourage business firms, property owners, or leaseholders to make improvements and install new, first time fire suppression systems in existing buildings in Enterprise Zone One. Annual grants are available for 5 years to cover a percentage of annual charges. The amounts that may be granted vary from 50% of monthly charges up to \$1,000 in year 1 to 10% of monthly charges up to \$200 in year 5. Disbursements for the year ended June 30, 2022 were \$27,900.

**Building Permit and Comprehensive Development Plan Review Fees Rebate**

The purpose of the Building Permit and Comprehensive Development Plan Review Fees Rebate is to encourage business firms, property owners, and authorized leaseholders to make improvements investing in new construction or in habitation of an existing building located in Enterprise Zone One A. Rebates are based on a percentage, dependent on the total amount invested. Funds received and disbursements for the year ended June 30, 2022 were \$32,256.

**Business Security Grants**

The purpose of the Security Grant Program is to provide incentive for businesses to participate in the Roanoke City Police Department's Star City Business Watch program, and to make improvements to their properties in order to improve security. The maximum grant will be the lesser of 50% of the actual out of pocket cost of the improvements or \$500 per fiscal year. There were no disbursements during the year ended June 30, 2022.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 7. Economic Development Authority Discretionary Grants**

**Community College Access Program (CCAP)**

In 2018, the Authority made a five-year commitment to fund the Community College Access Program (CCAP) at Virginia Western Community College in the amount of \$50,000. The program is a public/private partnership that funds tuition for three years for qualified students. Students qualify based on residency, grade-point average, and financial needs requirements. The Authority will distribute \$10,000 annually.

**RAMP Acceleration Project**

In July 2021, the Authority committed \$100,000 to the RAMP Acceleration project, with the first \$20,000 paid during 2022, and the corresponding \$80,000 allocated over four-years to cover operating losses of the facility. RAMP will provide low-cost office space and educational opportunities to small and entrepreneurial businesses and is viewed as a critical component of the City's recently announced "Innovation Corridor" along South Jefferson Street. Amounts payable related to this commitment at June 30, 2022 are \$80,000.

**Note 8. CARES Act and ARPA Grants**

The Authority is administering small business recovery grants from the City of Roanoke. The CARES Act grants ranged from \$1,250 up to \$12,000 and the ARPA grants were \$5,000 for business interruption caused by the required closures due to COVID-19. For the year ended June 30, 2022, the Authority received \$500,000 and disbursed \$220,000 in ARPA funds to 44 local businesses.

**Note 9. COVID-19 Tri-Party Relief Loan Program**

The Authority entered into an agreement with Total Action Against Poverty ("TAP"), Business Seed Capital, Inc. ("BSCI") and the City of Roanoke in April 2020 to establish the COVID-19 Relief Loan Fund. The loan fund approves loans up to \$3,000 each to local businesses negatively impacted by the COVID-19 pandemic. The terms are 0% interest with a 12-month maturity and 90-day deferred payment. The Authority has a member on BSCI Board of Directors which reviews and approves loan applications. The funds are held in an interest bearing account until the crisis has ended. In the event the fund is dissolved, the remaining loan funds will be equally divided between the three loan fund members.

**Note 10. Related Party Transactions**

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

**Note 11. Subsequent Events**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 26, 2022 the date the financial statements were available to be issued. See Note 12 for COVID-19 impact disclosure.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2022**

**Note 12. COVID-19 Impact**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Authority is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

**Note 13. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In March 2020, the GASB issued **Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements***. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

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

# **SUPPLEMENTARY SCHEDULE**

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**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**SCHEDULE OF REVENUE BONDS AND NOTES OUTSTANDING  
June 30, 2022**

	<b>Original Issue</b>	<b>Balance June 30, 2022</b>	<b>Balance June 30, 2021</b>	<b>Type of Project</b>
<b>Industrial Revenue Bonds:</b>				
Carilion Health System Obligated Group Series 2005-A dated December 1, 2005	\$ 123,110,000	\$ 79,470,000	\$ 79,470,000	Refunding, Renovation, Expansion and Equipment
Virginia Lutheran Homes Series Brandon Oaks 2012 dated November 15, 2012	21,065,000	-	14,400,000	Refinance Residential Care Facility
Lynchburg College Educational Facilities Series 2018A dated May 1, 2018	34,780,000	34,780,000	34,780,000	Software, Renovation, Refinancing
Lynchburg College Educational Facilities Series 2018B dated May 1, 2018	1,915,000	435,000	855,000	Software, Renovation, Refinancing
Virginia Lutheran Homes Series Brandon Series 2019-A dated November 5, 2019	16,950,916	16,742,011	16,823,189	Refinance Residential Care Facility
Virginia Lutheran Homes Series Brandon Series 2019-B dated November 5, 2019	11,500,000	11,500,000	11,500,000	Refinance Residential Care Facility
Carilion Health System Obligated Group Series 2020-A dated April 1, 2020	250,345,000	249,005,000	250,345,000	Refunding, Renovation, Expansion and Equipment
Carilion Health System Obligated Group Series 2020-B dated April 1, 2020	43,890,000	43,890,000	43,890,000	Refunding, Renovation, Expansion and Equipment
Carilion Health System Obligated Group Series 2020-D dated April 1, 2020	38,175,000	38,175,000	38,175,000	Refunding, Renovation, Expansion and Equipment
Richfield Living Series 2020 dated January 1, 2020	37,695,000	37,695,000	37,695,000	Renovation, Expansion and Equipment
Virginia Lutheran Homes Series Brandon Series 2020 dated April 22, 2020	10,207,332	9,993,140	10,116,032	Refunding, Renovation, Expansion and Equipment
Virginia Lutheran Homes Series Series 2021 dated May 1, 2021	14,200,000	12,426,440	13,643,590	Refunding, Renovation, Expansion and Equipment
		<u>\$ 534,111,591</u>	<u>\$ 551,692,811</u>	

## **COMPLIANCE SECTION**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of the City of Roanoke ("the Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We identified a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2022-001 that we consider to be a material weakness.**

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 Finding

*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 finding and response. The Authority's response was not subjected to the 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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 26, 2022



**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**SUMMARY OF COMPLIANCE MATTERS  
June 30, 2022**

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

Uniform Disposition of Unclaimed Property Act

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**SCHEDULE OF FINDING AND RESPONSE  
June 30, 2022**

**A. FINDING**

**2022-001: Auditor Adjustments (Material Weakness)**

*Condition:*

A significant number of audit adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accrual of administrative fees receivable/payables and grants payables.

*Criteria:*

Adjustments are not made at year end in compliance with generally accepted accounting principles.

*Effect:*

Risk that financial statements are not in compliance with generally accepted accounting principles.

*Cause:*

The Authority does not have accounting staff to implement generally accepted accounting principles.

*Recommendation:*

Accounting procedures should be formulated to ensure all asset and liability accounts are recorded. All activities should be evaluated beyond transactional processing and toward financial reporting implications on these activities.

*View of Responsible Officials:*

The auditee concurs with recommendation.

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF ROANOKE**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2022**

**A. FINDING – FINANCIAL STATEMENT AUDIT**

**2021-001: Auditor Adjustments (Material Weakness)**

*Condition:*

A significant number of audit adjustments were necessary for the financial statements to be in compliance with generally accepted accounting principles. The adjustments related to improper accrual of administrative fees receivable/payables and grants payables.

*Current Status:*

Condition still present. See finding 2022-001 on the Schedule of Finding and Response.

**2021-002: Disclosure Statement**

*Condition:*

We noted two state and local Statements of Economic Interest forms that were not filed by February 1, 2021.

*Current Status:*

Condition no longer present.