

**ECONOMIC DEVELOPMENT AUTHORITY
OF YORK COUNTY, VIRGINIA**

(A Component Unit of the County of York, Virginia)

Financial Statements and Supplemental Information

Year Ended June 30, 2022

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Financial Statements and Supplemental Information
Year Ended June 30, 2022

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Report of Independent Auditor

To the Authority Members and Officials
Economic Development Authority of York County, Virginia

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of York County, Virginia (the “Authority”), a component unit of the County of York, Virginia, 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 financial position of the Authority, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Authority’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Conduit Debt Outstanding is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Conduit Debt Outstanding 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. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information 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 Conduit Debt 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 November 1, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Virginia Beach, Virginia
November 1, 2022

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

This section of the Economic Development Authority of York County, Virginia's (the "Authority" or "EDA") annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the Authority's financial statements following this section.

FINANCIAL HIGHLIGHT

- The Authority's total Net Position was \$3,468,541, which was a decrease in total Net Position during FY2022 of \$198,964 or 5.4%. A significant portion of the FY2022 Authority's net position, \$2,553,487, remains unrestricted.
- In FY2022, GASB Statement No. 87 ("GASB 87"), *Leases*, was implemented to improve the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and the Management's Discussion and Analysis.

FINANCIAL ANALYSIS

Summary of Statement of Net Position at:	<u>6/30/2022</u>	<u>6/30/2021</u>
Current assets	\$ 1,519,089	\$ 1,480,160
Noncurrent assets	1,501,091	1,730,533
Capital assets	915,054	585,577
Total assets	<u>\$ 3,935,234</u>	<u>\$ 3,796,270</u>
Current liabilities	\$ 252,356	\$ 87,452
Noncurrent liabilities	68,558	41,313
Total liabilities	<u>320,914</u>	<u>128,765</u>
Deferred inflows of resources	<u>145,779</u>	<u>-</u>
Investment in capital assets	915,054	585,577
Unrestricted	<u>2,553,487</u>	<u>3,081,928</u>
Total net position	<u>3,468,541</u>	<u>3,667,505</u>
Total liabilities, deferred inflows, and net position	<u>\$ 3,935,234</u>	<u>\$ 3,796,270</u>

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Management's Discussion and Analysis

FINANCIAL ANALYSIS, Continued

At the close of the 2022 and 2021 fiscal years, the Authority's assets exceeded liabilities by \$3,468,541 and \$3,667,505, respectively. In fiscal year 2022, the Authority's total net position decreased by \$198,964, primarily due to an increase in economic development incentives. A significant portion of the Authority's net position, \$2,553,487, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations.

In fiscal year 2021, the Authority's total net position decreased by \$183,462, primarily due to a decrease of intergovernmental operating revenue. A significant portion of the Authority's net position, \$3,081,928, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations.

Summary of Statement of Revenues, Expenses and Changes in Net Position for the year ended:

	<u>6/30/2022</u>	<u>6/30/2021</u>
Operating Revenues		
Intergovernmental	\$ 297,535	\$ 66,385
Waterfront and other rent	253,110	224,235
Administrative fees	136,868	136,507
Miscellaneous	11,850	500
Total operating revenues	<u>699,363</u>	<u>427,627</u>
Operating Expenses		
Waterfront operations	252,647	227,144
Loss on land held for resale	1,505	4,616
Economic development	544,185	305,805
Other fees and miscellaneous	103,799	74,880
Total operating expenses	<u>902,136</u>	<u>612,445</u>
Operating Loss	<u>(202,773)</u>	<u>(184,818)</u>
Total Nonoperating Revenues	<u>3,809</u>	<u>1,356</u>
Change in Net Position	<u>(198,964)</u>	<u>(183,462)</u>
Net position, beginning of the year	<u>3,667,505</u>	<u>3,850,967</u>
Net position, end of the year	<u>\$ 3,468,541</u>	<u>\$ 3,667,505</u>

The County contributes to the operations of the Authority on an annual basis and makes economic development contributions for certain incentives, which vary from one year to the next. These contributions are reflected as intergovernmental revenues. The County contributed \$297,535 and \$66,385 for operations and other economic development for fiscal years 2022 and 2021, respectively.

In fiscal year 2022, operating expenses increased by \$289,691. The majority of the increase was attributable to an increase in economic development incentives.

The Authority continues to work cooperatively and receives significant funding from the County of York. As a result of this relationship, the Authority's fiscal position continues to remain positive and stable.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Management's Discussion and Analysis

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>6/30/2022</u>	<u>6/30/2021</u>
Construction in progress	\$ 268,135	\$ -
Land improvements	2,883	3,523
Infrastructure	644,036	582,054
Total	<u>\$ 915,054</u>	<u>\$ 585,577</u>

Construction in progress at June 30, 2022 reflects design services for an uncompleted restaurant project at the waterfront. Capital assets of land improvements and infrastructure at June 30, 2022 reflect assets that provide water and sewer access to property owned by the Authority. Additional information can be found in note 6 to the basic financial statements.

NOTES PAYABLE AND DUE TO PRIMARY GOVERNMENT - YORK COUNTY

<u>6/30/2022</u>	<u>6/30/2021</u>
\$ -	\$ 36,667

At June 30, 2022 and 2021, the notes payable to the County relates to the Riverwalk Landing direct financing lease.

Additional information on the notes payable can be found in Note 7 to the basic financial statements.

At June 30, 2022, the \$209,515 due to the County related to the Riverwalk Landing Lease agreement.

ECONOMIC FACTORS

- In March 2022, the EDA committed \$200,000 of grant funds to Kingsgate Green Shopping Center to assist with renovations, which were completed in FY22. Ashley HomeStore celebrated the grand opening of its new space in the center, joining Ollie's which opened at the Kingsgate Green last year. A Special Use Permit was granted for Locke Supply Company, an HVAC and plumbing wholesaler, which paves the way for the company to move into the remaining shopping center and complete backfill of the former K-Mart space.
- The Eastern Virginia Regional Industrial Facility Authority (EVRIFA), of which York County is a member, closed on its purchase of 432 acres of surplus property from the Commonwealth of Virginia for the Kings Creek Commerce Center project. The project will include a 20 megawatt solar farm on the property. The solar farm will occupy approximately 180 acres of the tract and the EVRIFA will market the remaining developable land for light industrial development.
- The EDA entered into an Agreement of Lease and Construction with Marconn, Inc., to formalize the cost-sharing agreement between the two parties for renovation work of the Water Street Grille/Riverwalk Restaurant space and provide a long-term lease structure under which Marconn, Inc. will be able to operate the restaurant for up to 30 years.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Management's Discussion and Analysis

- Grant funding was approved to assist Maramy Investments with development of a new facility on Route 17. The funding will be utilized to demolish an abandoned structure and provide architectural upgrades for a new, modern office building.
- The EDA entered into an agreement with Retail Strategies, a national retail recruitment firm that specializes in ways to backfill vacant retail spaces as well as identify new retail development opportunities.
- On the organizational front, the Office of Economic Development and the Office of Tourism Development combined to form the Department of Economic & Tourism Development. This shift will bring additional staff resources to support the EDA and provide better alignment with tourism-related economic development in the County.

REQUESTS FOR INFORMATION

This financial report is designed to provide users (citizens, taxpayers, bondholders, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning the report or requests for additional information should be directed to Acting Director of Economic & Tourism Development, York County Economic Development Authority, 121 Alexander Hamilton Boulevard, Yorktown, Virginia 23690 or telephone (757) 890-3317.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Statement of Net Position

6/30/2022

ASSETS

Current assets:	
Cash and equivalents	\$ 1,222,759
Accounts receivable	205,273
Other receivables	7,010
Lease receivables	83,991
Lease interest receivable	56
Total current assets	<u>1,519,089</u>
Noncurrent assets:	
Restricted cash and equivalents	14,121
Land held for resale	999,205
Prepaid expense	12
Note receivables	424,397
Lease receivables	63,356
Nondepreciable capital assets:	
Construction in progress	268,135
Depreciable capital assets:	
Land improvements	9,604
Infrastructure	942,108
Accumulated depreciation	<u>(304,793)</u>
Total noncurrent assets	<u>2,416,145</u>
Total assets	<u>\$ 3,935,234</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 42,841
Due to Primary Government - York County	209,515
Total current liabilities	<u>252,356</u>
Noncurrent liabilities:	
Deposits payable	14,121
Unearned revenues	54,437
Total noncurrent liabilities	<u>68,558</u>
Total liabilities	<u>320,914</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to leases	<u>145,779</u>
Total deferred inflows of resources	<u>145,779</u>

NET POSITION

Investment in capital assets	915,054
Unrestricted	<u>2,553,487</u>
Total net position	<u>3,468,541</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,935,234</u>

The accompanying notes are an integral part of the basic financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Position

	Year Ended 6/30/2022
Operating Revenues	
Intergovernmental	\$ 297,535
Waterfront and other rent	253,110
Industrial revenue bond administrative fees	136,868
State grants	8,350
Miscellaneous	<u>3,500</u>
Total operating revenues	<u>699,363</u>
Operating Expenses	
Waterfront operations	98,705
Waterfront rentals	153,942
Loss on sale of land held for resale	1,505
Economic development incentives	544,185
Professional fees	26,852
Board member fees	3,900
Miscellaneous	43,194
Depreciation	<u>29,853</u>
Total operating expenses	<u>902,136</u>
Operating Loss	<u>(202,773)</u>
Nonoperating Revenues (Expenses)	
Interest income	9,566
Interest expense	<u>(5,757)</u>
Total nonoperating revenues, net	<u>3,809</u>
Change in Net Position	(198,964)
Total net position, beginning of year	<u>3,667,505</u>
Total net position, end of year	<u>\$ 3,468,541</u>

The accompanying notes are an integral part of the basic financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statement of Cash Flows

	Year Ended 6/30/2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Primary Government - York County	\$ 297,535
Receipts from rental income	146,360
Other receipts	147,146
Proceeds from sale of land held for resale	171,200
Payments to suppliers for goods and services	(693,743)
Payments to Board members for services	(3,900)
Net cash provided by operating activities	<u>64,598</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(268,135)
Interest paid on debt	(5,757)
Net cash used in capital and related financing activities	<u>(273,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	9,566
Net cash provided by investing activities	<u>9,566</u>
Net change in cash and cash equivalents	(199,728)
Cash and cash equivalents, beginning of year	1,436,608
Cash and cash equivalents, end of year	<u>\$ 1,236,880</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and equivalents	\$ 1,222,759
Restricted cash and equivalents	14,121
Cash and cash equivalents, end of year	<u>\$ 1,236,880</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (202,773)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	29,853
Loss on land held for resale	1,505
Changes in operating assets and liabilities:	
Accounts receivable	(159,038)
Lease receivables	(147,347)
Lease interest receivable	(56)
Prepaid expense	1
Note receivables	2,230
Other receivables	(5,572)
Land held for resale	171,200
Accounts payable	26,873
Unearned revenues	53,912
Deposits payable	(10,000)
Deferred inflows - leases	145,779
Due to Primary Government - York County	158,031
Net cash provided by operating activities	<u>\$ 64,598</u>
Noncash capital and financing activities:	
Note payable to primary government - York County	<u>\$ (36,667)</u>

The accompanying notes are an integral part of the basic financial statements.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Notes to Basic Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Economic Development Authority of York County, Virginia (the "Authority") was created as a tax-exempt political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of the County of York, Virginia (the "County") on July 6, 1972, pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, duly enacted into law as 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 Board of Supervisors of the County. It is authorized to acquire, own, lease and dispose of properties in order to promote industry and develop trade by inducing enterprises to locate and remain in Virginia. In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under such bonds may be retained by the Authority, or it may be assumed by the enterprises for which the facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to the bond trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the County, the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be collateralized by a deed of trust on those facilities.

In fiscal year 2022, GASB Statement No. 87 ("GASB 87"), *Leases*, was implemented to improve the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources. GASB 87 is based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. In FY2022, the Authority is only a lessor and not a lessee.

The Reporting Entity

The Authority is considered a component unit of the County. Component units are legally separate entities for which a Primary Government is financially accountable. The information in these financial statements will also be included in the County's basic financial statements because of the significance of the Authority's financial relationship with the County.

The Authority exists as a legal entity with a Board of Directors appointed by the County's Board of Supervisors. The Board of Directors manages and allocates operating and marketing budgets and capital funds recorded on the books of the Authority.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Notes to Basic Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting

The Authority's operations are accounted for as a proprietary fund used to account for the activities of the Authority as noted above. The financial statements are presented on the accrual basis of accounting, using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations.

Net Position

Net position may consist of the following components based on the extent of constraints upon the use of the resources:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt incurred to finance the capital assets.

Restricted – Reported when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

Unrestricted – Consists of funds that are available for any purpose.

Use of Estimates

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

Pass-thru Financing Leases

Most activities of the Authority represent pass-through leases. These agreements provide for periodic rental payments in amounts equal to the principal and interest payments due to project bondholders. The Authority has assigned all rights to the rental payments to the trustees of the bondholders and the lessees have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the Authority neither receives nor disburses funds. Although title to these properties rests with the Authority, bargain purchase options or other lease provisions eliminate any equity interest that would otherwise be retained. Deeds of trust collateralize outstanding bond obligations and title will revert to the lessee when the bonds are fully paid.

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Notes to Basic Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Although the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets or liabilities. Outstanding conduit debt amounted to \$74,361,866 at June 30, 2022.

Cash Equivalents

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

Restricted Cash and Equivalents

At June 30, 2022, restricted cash was \$14,121 and consisted of tenant security deposits.

Accounts and Other Receivables

At June 30, 2022, accounts receivable consisted of Riverwalk Landing rental payments and interest of \$205,273. All outstanding receivables at June 30 have been subsequently collected; therefore, an allowance was not deemed necessary.

At June 30, 2022, other receivables were \$7,010 and consisted of Riverwalk Landing rental payments and expense reimbursements. Other receivables have been deemed collectible; therefore, an allowance was not deemed necessary.

Land Held for Resale

Land held for lease or resale is stated at acquisition cost plus improvements and capitalized interest, if applicable, but not in excess of net realizable value. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. As land is sold, all costs associated with that land are charged to cost of land sold.

Capital Assets

Capital assets are capitalized at historical cost, if purchased. Contributed capital assets are recorded at their acquisition value at the date of donation. The Authority utilizes the County's capitalization threshold of \$5,000 or more for recording equipment, land improvements and infrastructure and \$30,000 for buildings and building improvements, for assets with useful lives greater than one year. Capital assets are depreciated over their estimated useful lives using the straight-line, half-year convention method. The estimated useful lives are as follows: equipment (3-20), land improvements (15-20), buildings and improvements (10-50), and infrastructure (10-50).

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases: Lessor

The Authority is a lessor for noncancellable leases of business space. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Unearned Revenues

At June 30, 2022, unearned revenues were \$54,437 and consisted of a non-refundable deposit and prepaid bond fees.

2. DEPOSITS AND INVESTMENTS

The Authority's cash and investments consisted of:

	<u>June 30, 2022</u>
Bank deposits and pending bank transfers	\$ 310,558
Local Government Investment Pool (LGIP)	926,322
	<u>\$ 1,236,880</u>
<u>Reconciliation to Statement of Net Position:</u>	
Cash and equivalents	\$ 1,222,759
Restricted cash and equivalents	14,121
	<u>\$ 1,236,880</u>

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Notes to Basic Financial Statements

June 30, 2022

2. DEPOSITS AND INVESTMENTS, Continued

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Statutes authorize local governments and other public bodies 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, bankers' acceptances, repurchase agreements and the LGIP. LGIP is managed in a manner consistent with the "2a7 like pool" requirements of accounting principles generally accepted in the United States of America. The portfolio securities are valued by the amortized cost method.

Credit Risk

As of June 30, 2022, the Authority's investment in the LGIP was rated AAAm by Standard & Poor's.

3. LAND HELD FOR RESALE

Property is stated at acquisition cost plus improvements, but not in excess of net realizable value. Property contributed by the County is stated at the County's cost. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized costs are allocated to each parcel benefited, based on relative fair value before construction. As property is sold, all costs associated with that property are charged to cost of land sold.

Land held for resale at June 30, 2022 consists of the following:

<u>Property</u>	<u>June 30, 2022</u>
Jordan Property-Old York Hampton Highway	\$ 9,242
Busch Property-Stafford Court	440,163
6714 George Washington Memorial Highway	349,800
3401 Hampton Highway	<u>200,000</u>
	<u><u>\$ 999,205</u></u>

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Notes to Basic Financial Statements

June 30, 2022

4. NOTE RECEIVABLES

In June 2019, the Authority executed an agreement for 1.25 acres to be sold located on 7120 and 7124 George Washington Memorial Highway. As part of this agreement, a note receivable of \$399,000 was recorded with performance obligations outlined below:

- i. \$200,000 shall be forgiven upon the issuance by the York County Building Official of a Certificate of Occupancy for the proposed facility.
- ii. \$75,000 shall be forgiven following the completion of six months of full operations of the facility.
- iii. As additional \$75,000 shall be forgiven after the completion of twelve months of full operation of the facility.
- iv. The balance shall be due and payable in full on the due date of the note, June 24, 2022.

As of June 30, 2022, none of the performance obligations have been met and the balance of the note is \$399,000. Due to construction and supply chain delays, the EDA granted additional time for the performance obligations to be completed.

In December 2020, the Authority provided a three-year loan of \$25,000 plus interest of 1% per annum. No payments will be due until a final payment, including principal and interest, is due on the third anniversary of the execution of the agreement or December 3, 2023. As of June 30, 2022, the balance of the note is \$25,397.

5. LEASE RECEIVABLES AND DEFERRED INFLOWS

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The EDA rents building space to various businesses at Riverwalk Landing with lease terms ranging from 17 to 78 months. As of June 30, 2022, the value of the lease receivable is \$147,347. As of June 30, 2022, the value of the lease interest receivable is \$56. The value of the deferred inflow of resources as of June 30, 2022 was \$145,779 and the EDA recognized lease revenue of \$150,799 during the fiscal year.

The following is a summary of changes in leases receivable:

Balance			Balance
<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>
\$ -	\$ 296,578	\$ (149,231)	\$ 147,347

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA**

Notes to Basic Financial Statements

June 30, 2022

5. LEASE RECEIVABLES AND DEFERRED INFLOWS, Continued

The following is a summary of changes in deferred inflows:

Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>
\$ -	\$ 296,578	\$ (150,799)	\$ 145,779

A summary of future principal and interest receipts as of June 30, 2022, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 83,991	\$ 488	\$ 84,479
2024	29,860	242	30,102
2025	12,619	116	12,735
2026	8,150	75	8,225
2027	8,433	39	8,472
2028-2032	4,294	5	4,299
Total minimum lease payments	<u>\$ 147,347</u>	<u>\$ 965</u>	<u>\$ 148,312</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 268,135	\$ -	\$ 268,135
Total capital assets not being depreciated	-	268,135	-	268,135
Capital assets being depreciated:				
Land improvements	9,604	-	-	9,604
Infrastructure	850,913	91,195	-	942,108
Total capital assets being depreciated	860,517	91,195	-	951,712
Less accumulated depreciation for:				
Land improvements	(6,081)	(640)	-	(6,721)
Infrastructure	(268,859)	(29,213)	-	(298,072)
Total accumulated depreciation	(274,940)	(29,853)	-	(304,793)
Total capital assets being depreciated, net	585,577	61,342	-	646,919
Total	<u>\$ 585,577</u>	<u>\$ 329,477</u>	<u>\$ -</u>	<u>\$ 915,054</u>

**ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Notes to Basic Financial Statements

June 30, 2022

7. NOTE PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY

The Authority's one remaining note payable to the County was paid off in May 2022.

At June 30, 2022, the outstanding principal balance on the note payable was \$0.

The following is a summary of changes in notes payable to the County:

Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
\$ 36,667	\$ -	\$ (36,667)	\$ -	\$ -

8. TRANSACTIONS WITH PRIMARY GOVERNMENT - YORK COUNTY

Intergovernmental revenues received from York County and related due to and due from the Primary Government consisted of the following:

<u>Purpose</u>	<u>June 30, 2022</u>
Operating contributions	\$ 47,535
Contribution for capital commitments	250,000
Due to Primary Government - York County	209,515

In fiscal year 2022, \$209,515 were due to the County and were related to the Riverwalk Landing Lease agreement.

9. WATERFRONT AND OTHER RENTAL INCOME

In March 2003, the Authority executed a lease agreement with the County for the Yorktown Waterfront property for \$1 per year with a term of 30 years. Under the terms of the agreement, the Authority revitalized the property to include a restaurant, office and retail space, parking facilities, travel ways, landscaping and other improvements. Upon completion of the Yorktown Revitalization Project, there were 11 facilities for lease within the development, referred to as Riverwalk Landing. The Authority executed subleases for the facilities with annual rents of \$253,109 for the fiscal year ended June 30, 2022. Section 4 of the lease provides that the Authority will remit all rents and profits realized from any such sublease to the County to be managed and made available for expenditures for maintenance of the property and redemption of the bonds issued for the development. Of the \$253,109 lease income recorded, \$102,310 was related to leases that were excluded from GASB 87 based on the terms of the leases. See note 5 for information on GASB 87 lease revenue and related receivables.

SUPPLEMENTAL INFORMATION

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA

Schedule of Conduit Debt Outstanding (1)

<u>Issue Name</u>	<u>Facility Description</u>	<u>Date of Original Issue</u>	<u>Trustee</u>	<u>Bonds Aggregate Amount at Issue</u>	<u>Aggregate Outstanding Payable at 6/30/2022</u>
Pollution Control Revenue Bonds (VEPCO), Series 2009A	Pollution control equipment and facility related to the conversion of the Yorktown Power Station	5/19/2009	US Bank	\$ 70,000,000	\$ 70,000,000
Educational Facilities Revenue Bonds, Series 2009	York River Academy Mixed Use Project	7/1/2009	Towne Bank	\$ 3,000,000	\$ 667,866
Qualified Non-Profit Revenue and Refunding Bond, Series 2013	Colonial Community Services, Inc. Project	7/19/2013	Virginia Commonwealth Bank	\$ 2,750,000	\$ 1,254,000
Lease Revenue Refunding Bonds (County of York, Virginia), Series 2014	Yorktown Waterfront Revitalization project; communication system improvements; fire and rescue equipment	2/27/2014	Wells Fargo Bank	\$ 9,865,000	\$ 2,440,000
				Total	\$ 74,361,866

(1) See Report of Independent Auditor

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

To the Authority Members and Officials
Economic Development Authority of York County, 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 York County, Virginia, (the "Authority"), a component unit of the County of York, Virginia, as of and for the years 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 November 1, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Authorities, Boards, and Commissions*.

Purpose of this Report

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

Cherry Bekaert LLP

Virginia Beach, Virginia
November 1, 2022