

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

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

Financial Statements and Supplemental Information

Years Ended June 30, 2019 and 2018

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Financial Statements and Supplemental Information
Years Ended June 30, 2019 and 2018

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Report of Independent Auditor	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Basic Financial Statements	10 - 17
<u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Conduit Debt Outstanding	18
<u>COMPLIANCE SECTION</u>	
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 <i>Government Auditing Standards</i>	19 - 20

Report of Independent Auditor

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

Report on the Financial Statements

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 years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 September 30, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
September 30, 2019

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 years ended June 30, 2019 and 2018. Please read it in conjunction with the Authority's financial statements following this section.

FINANCIAL HIGHLIGHT

- The Authority had an increase in total Net Position during FY2019 of \$413,310 or 10%. A significant portion of the FY2019 Authority's net position, \$3,082,821, remains unrestricted.

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>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Current assets	\$ 1,404,343	\$ 815,709	\$ 781,268
Noncurrent assets	1,983,039	2,658,295	2,543,701
Capital assets	<u>1,296,197</u>	<u>672,400</u>	<u>701,341</u>
Total assets	<u>\$ 4,683,579</u>	<u>\$ 4,146,404</u>	<u>\$ 4,026,310</u>
Current liabilities	\$ 196,381	\$ 42,298	\$ 77,997
Noncurrent liabilities	<u>108,180</u>	<u>138,398</u>	<u>170,588</u>
Total liabilities	<u>304,561</u>	<u>180,696</u>	<u>248,585</u>
Net investment in capital assets	1,296,197	672,400	701,341
Unrestricted	<u>3,082,821</u>	<u>3,293,308</u>	<u>3,076,384</u>
Total net position	<u>4,379,018</u>	<u>3,965,708</u>	<u>3,777,725</u>
Total liabilities and net position	<u>\$ 4,683,579</u>	<u>\$ 4,146,404</u>	<u>\$ 4,026,310</u>

At the close of the 2019 and 2018 fiscal years, the Authority's assets exceeded liabilities by \$4,379,018 and \$3,965,708, respectively. In fiscal year 2019, the Authority's total net position increased by \$413,310, primarily due to increase of intergovernmental operating revenue and a capital contribution of donated land. A significant portion of the Authority's net position, \$3,082,821, remains unrestricted and may be used to meet the Authority's ongoing objectives and obligations.

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

FINANCIAL ANALYSIS, Continued

In fiscal year 2018, the Authority's total net position increased by \$187,983, primarily due to fewer economic development incentives. A significant portion of the Authority's net position, \$3,293,308, remained unrestricted and was used to meet the Authority's ongoing objectives and obligations.

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Operating Revenues			
Intergovernmental	\$ 858,778	\$ 314,160	\$ 901,250
Waterfront and other rent	246,505	239,319	238,481
Gain on land held for resale	-	48,366	-
Administrative fees	140,751	141,523	139,509
Miscellaneous	4,000	5,957	206,662
Total operating revenues	<u>1,250,034</u>	<u>749,325</u>	<u>1,485,902</u>
Operating Expenses			
Waterfront operations	243,364	239,550	232,481
Loss on land held for resale	350,267	-	-
Economic development	252,189	241,576	479,844
Stormwater operations	150,000	-	-
Other fees and miscellaneous	91,030	86,286	85,287
Total operating expenses	<u>1,086,850</u>	<u>567,412</u>	<u>797,612</u>
Operating Income	<u>163,184</u>	<u>181,913</u>	<u>688,290</u>
Total Nonoperating Revenues	<u>10,126</u>	<u>6,070</u>	<u>2,006</u>
Capital Contributions	<u>240,000</u>	<u>6,070</u>	<u>2,006</u>
Change in Net Position	413,310	187,983	690,296
Net position, beginning of the year	3,965,708	3,777,725	3,087,429
Net position, end of the year	<u>\$ 4,379,018</u>	<u>\$ 3,965,708</u>	<u>\$ 3,777,725</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 \$858,778 in fiscal year 2019 for property at 121 Alexander Hamilton Boulevard, operations, and other economic development. In fiscal year 2018, the County contributed \$341,160 for operations and other economic development. In fiscal year 2017, the County contributed \$901,250 for property on George Washington Memorial Highway and other economic development.

In fiscal year 2019, the operating expenses increased by \$519,438. The majority of the increase was due to land held for resale sales below fair value resulting in a loss of \$350,267. Additionally, the Authority transferred \$150,000 to the County for a stormwater pond.

The Authority continues to work cooperatively and receive 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
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Management's Discussion and Analysis

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Land improvements	\$ 4,803	\$ 5,443	\$ 6,083
Building	652,738	-	-
Infrastructure	638,656	666,957	695,258
Total	<u>\$ 1,296,197</u>	<u>\$ 672,400</u>	<u>\$ 701,341</u>

Capital assets of land improvements and infrastructure at June 30, 2019 reflect assets that provide water and sewer access to property owned by the Authority. Additional information can be found in note 4 to the basic financial statements. The building capital asset is nondepreciable and represents the property at 121 Alexander Hamilton Boulevard that was acquired in fiscal year 2019 and is currently not in service. The building will be transferred to the County in fiscal year 2020 and will be used for county tourism operations.

NOTES PAYABLE AND DUE TO PRIMARY GOVERNMENT - YORK COUNTY

<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<u>\$ 76,667</u>	<u>\$ 96,667</u>	<u>\$ 116,667</u>

At June 30, 2019 and 2018, the notes payable to the County relates to the Riverwalk Landing direct financing lease.

Additional information on the notes payable can be found in Notes 3 and 7 to the basic financial statements.

At June 30, 2019, \$167,327, due to the County, includes \$17,327 related to the Riverwalk Landing Lease agreement, and the remaining \$150,000 was for a transfer to the County stormwater fund for an EDA stormwater project.

ECONOMIC FACTORS

- The EDA closed on a 3.1 acre parcel off Old York Hampton Highway, in the York River Commerce Park South, in December 2018 with Big Top Entertainment. Owned by York County residents David and Julianne Kiedinger, Big Top is a full-service rental and special event company. They are currently constructing a 20,000 sq. ft. facility on the site that will house all of their operations. The EDA sold two more parcels in the York River Commerce Park South, totaling 4 acres, for new light industrial facilities. These two sales will bring a new company to the County (Marlowe We Care Company) and allow an existing business (Affordable Fastener Supply Company) to expand. In fiscal year 2019, the EDA sold 6.9 acres in Busch Industrial Park to Leebcor Services LLC, an emerging leader in the federal design-build construction marketplace. Leebcor plans to construct a 20,000 sq. ft. headquarters building and, long term, two more 20,000 sq. ft. office buildings for lease.
- In 2017 the EDA initiated a Route 17 Revitalization Program, featuring a property acquisition element aimed at stimulating private investment in unique restaurant or retail offerings in the corridor. Targeted properties, once acquired, are utilized to leverage parcel assemblage and development. The EDA acquired its first parcel in April 2017, located at 7120-7124 George Washington Memorial Highway. The EDA demolished several dilapidated structures on the property

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

Management's Discussion and Analysis

ECONOMIC FACTORS, Continued

and later extended sewer service to the parcel. On June 24, 2019, the EDA sold the 1.25 acre site to Waukeshaw Inc. for the development and operation of a brewpub, which will be named Beale's Outpost, and will feature craft beer brewed on premise and local seafood in a coastal casual environment. The EDA issued grants for two more new businesses in the "eatertainment" category: Mobjack Bay Coffee Roasters opened a roastery and café in Historic Yorktown and two young chefs, Mikey and Chelsea Maksimowicz, transformed a vacant gas station on Merrimac Trail into Casa Pearl, a popular new dining venue.

- Snow Companies, a pharmaceutical public relations and marketing firm, worked with the Office of Economic Development and EDA to acquire and renovate a 38,000 sq. ft. office building in upper York County, off Waller Mill Road. The EDA provided a \$200,000 grant to help Snow completely rehabilitate and upgrade the building that had been vacant for several years. Snow relocated from 18,000 sq. ft. leased in Michael Commons Office Park to accommodate their rapid growth. In February 2019, Snow had grown to 330 employees in the York facility, representing 100 new employees from a year prior. Snow is one of the area's leading employers of Christopher Newport University graduates and is the type of employer needed in our region to retain local college graduates.

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 Director of Economic Development, York County Economic Development Authority, 224 Ballard Street, Yorktown, Virginia 23690 or telephone (757) 890-3317.

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

Statements of Net Position

	<u>6/30/2019</u>	<u>6/30/2018</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,332,097	\$ 650,352
Accounts receivable	52,246	127,107
Due from Primary Government - York County	-	18,250
Investment in direct finance lease, current	20,000	20,000
Total current assets	<u>1,404,343</u>	<u>815,709</u>
Noncurrent assets:		
Restricted cash and equivalents	14,510	14,510
Land held for resale	1,507,883	2,567,102
Prepaid expense	15	16
Note receivable	403,964	-
Investment in direct finance lease, net current	56,667	76,667
Nondepreciable capital asset - building	652,738	-
Depreciable capital assets:		
Land improvements	9,604	9,604
Infrastructure	850,913	850,913
Accumulated depreciation	<u>(217,058)</u>	<u>(188,117)</u>
Total noncurrent assets	<u>3,279,236</u>	<u>3,330,695</u>
Total assets	<u>\$ 4,683,579</u>	<u>\$ 4,146,404</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 9,054	\$ 3,583
Due to Primary Government - York County	167,327	18,715
Note payable to Primary Government - York County, current	20,000	20,000
Total current liabilities	<u>196,381</u>	<u>42,298</u>
Noncurrent liabilities:		
Deposits payable	14,510	24,510
Unearned revenues	37,003	37,221
Note payable to Primary Government - York County, net current	56,667	76,667
Total noncurrent liabilities	<u>108,180</u>	<u>138,398</u>
Total liabilities	<u>304,561</u>	<u>180,696</u>
NET POSITION		
Net investment in capital assets	1,296,197	672,400
Unrestricted	<u>3,082,821</u>	<u>3,293,308</u>
Total net position	<u>4,379,018</u>	<u>3,965,708</u>
Total liabilities and net position	<u>\$ 4,683,579</u>	<u>\$ 4,146,404</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
Statements of Revenues, Expenses and Changes in Net Position

	Year Ended	
	<u>6/30/2019</u>	<u>6/30/2018</u>
Operating Revenues		
Intergovernmental	\$ 858,778	\$ 314,160
Waterfront and other rent	246,504	239,318
Gain on sale of land held for resale	-	48,366
Lease income	1	1
Industrial revenue bond administrative fees	140,751	141,523
Miscellaneous	<u>4,000</u>	<u>5,957</u>
Total operating revenues	<u>1,250,034</u>	<u>749,325</u>
Operating Expenses		
Waterfront operations	142,245	120,511
Waterfront rentals	101,119	119,039
Loss on sale of land held for resale	350,267	-
Economic development incentives	252,189	241,576
Stormwater operations	150,000	-
Professional fees	20,178	16,747
Board member fees	5,100	3,500
Miscellaneous	36,811	37,098
Depreciation	<u>28,941</u>	<u>28,941</u>
Total operating expenses	<u>1,086,850</u>	<u>567,412</u>
Operating Gain	<u>163,184</u>	<u>181,913</u>
Nonoperating Revenues (Expenses)		
Interest income	16,406	12,350
Interest expense	<u>(6,280)</u>	<u>(6,280)</u>
Total nonoperating revenues, net	<u>10,126</u>	<u>6,070</u>
Capital Contributions	<u>240,000</u>	<u>-</u>
Change in Net Position	413,310	187,983
Total net position, beginning of year	<u>3,965,708</u>	<u>3,777,725</u>
Total net position, end of year	<u><u>\$ 4,379,018</u></u>	<u><u>\$ 3,965,708</u></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
Statements of Cash Flows

	Year Ended	
	<u>6/30/2019</u>	<u>6/30/2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Primary Government - York County	\$ 877,028	\$ 295,910
Receipts from rental income	244,648	206,748
Other receipts	144,751	147,480
Proceeds from sale of land held for resale	626,451	-
Payments for land held for resale	-	(162,840)
Payments to suppliers for goods and services	(563,421)	(562,669)
Payments to Board members for services	(5,100)	(3,500)
Net cash provided by (used in) operating activities	<u>1,324,357</u>	<u>(78,871)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital asset	(652,738)	-
Interest paid on debt	(6,280)	(6,280)
Net cash used in capital and related financing activities	<u>(659,018)</u>	<u>(6,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	16,406	12,461
Net cash provided by investing activities	<u>16,406</u>	<u>12,461</u>
Net change in cash and cash equivalents	681,745	(72,690)
Cash and cash equivalents, beginning of year	<u>664,862</u>	<u>737,552</u>
Cash and cash equivalents, end of year	<u>\$ 1,346,607</u>	<u>\$ 664,862</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:		
Cash and equivalents	\$ 1,332,097	\$ 650,352
Restricted cash and equivalents	<u>14,510</u>	<u>14,510</u>
Cash and cash equivalents, end of year	<u>\$ 1,346,607</u>	<u>\$ 664,862</u>
Reconciliation of operating gain to net cash provided by (used in) operating activities:		
Operating gain	\$ 163,184	\$ 181,913
Adjustments to reconcile operating gain to net cash provided by (used in) operating activities:		
Depreciation	28,941	28,941
(Gain)/Loss on land held for resale	350,267	(48,366)
Changes in assets and liabilities:		
Accounts receivable	74,861	(88,881)
Due from Primary Government - York County	18,250	(18,250)
Prepaid expense	1	1
Note receivable	(4,964)	-
Land held for resale	549,952	(86,340)
Accounts payable	5,471	(41,590)
Unearned revenues	(218)	(20,190)
Deposits payable	(10,000)	8,000
Due to Primary Government - York County	148,612	5,891
Net cash provided by (used in) operating activities	<u>\$ 1,324,357</u>	<u>\$ (78,871)</u>
Noncash capital and financing activities:		
Change in direct financing lease and corresponding change in note payable to primary government - York County	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Change in note receivable - land held for resale	<u>\$ 399,000</u>	<u>\$ -</u>
Change in fair value of Waterside Capital Corporation investment	<u>\$ -</u>	<u>\$ (111)</u>
Contribution of land held for resale	<u><u>\$ 240,000</u></u>	<u><u>\$ -</u></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, 2019 and 2018

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.

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.

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.

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 \$78,365,250 and \$79,606,250 at June 30, 2019 and 2018, respectively.

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, 2019 and 2018, restricted cash consisted of tenant security deposits of \$14,510.

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Receivables

At June 30, 2019, receivables consisted of Riverwalk Landing rental payments and interest of \$52,246. At June 30, 2018, receivables consisted of VDOT land sale revenue of \$76,500, Riverwalk Landing rental payments and interest of \$50,607, and County contributions of \$18,250 classified as Due from Primary Government – York County. All outstanding receivables at June 30 have been subsequently collected; 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).

Unearned Revenues

At June 30, 2019, unearned revenues consisted of lease payments paid in advance of \$37,003. At June 30, 2018, unearned revenues consisted of lease payments paid in advance of \$37,221.

2. DEPOSITS AND INVESTMENTS

The Authority's cash and investments consisted of:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Bank deposits and pending bank transfers	\$ 930,370	\$ 259,144
Local Government Investment Pool (LGIP)	416,237	405,718
	<u>\$ 1,346,607</u>	<u>\$ 664,862</u>
<u>Reconciliation to Statement of Net Position:</u>		
Cash and equivalents	\$ 1,332,097	\$ 650,352
Restricted cash and equivalents	14,510	14,510
	<u>\$ 1,346,607</u>	<u>\$ 664,862</u>

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

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 (GAAP). The portfolio securities are valued by the amortized cost method.

Credit Risk

As of June 30, 2019 and 2018, the Authority's investment in the LGIP was rated AAAm by Standard & Poor's.

3. INVESTMENT IN DIRECT FINANCE LEASE

In November 2012, the Authority executed a property lease for the Riverwalk Restaurant and an adjacent vacant space for another restaurant to a new private company. As part of the negotiations, the Authority also entered into an equipment lease. The lease is for \$200,000, with repayment over 120 months and with interest on the outstanding balance of 3.14% per annum. Repayments began on May 1, 2013.

The following schedule reflects the net investment in the direct financing lease:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Minimum lease payments to be received	\$ 100,740	\$ 127,020
Less unearned revenues	<u>(24,073)</u>	<u>(30,353)</u>
Net investment in direct finance lease	<u>\$ 76,667</u>	<u>\$ 96,667</u>
Classified as:		
Current	\$ 20,000	\$ 20,000
Noncurrent	<u>56,667</u>	<u>76,667</u>
Total	<u>\$ 76,667</u>	<u>\$ 96,667</u>

Minimum future rental receipts under the direct financing lease as of June 30, 2019 are:

<u>Year</u>	
2020	\$ 26,280
2021	26,280
2022	26,280
2023	<u>21,900</u>
Total	<u>\$ 100,740</u>

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

4. 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, 2019 and 2018 consists of the following:

<u>Property</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Jordan Property-Old York Hampton Highway	\$ 9,242	\$ 9,242
410 Old York Hampton Highway	363,701	698,484
500 Old York Hampton Highway	-	299,143
Busch Property-Stafford Court	545,140	706,270
9219 George Washington Memorial Highway	-	369,000
7120/7124 George Washington Memorial Highway	-	484,963
6714 George Washington Memorial Highway	349,800	-
3401 Hampton Highway	240,000	-
	<u>\$ 1,507,883</u>	<u>\$ 2,567,102</u>

Capital contributions of \$240,000, in fiscal year 2019, was attributable to the appraised value of donated land at 3401 Hampton Highway.

5. 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, 2019, the balance of the note is \$399,000.

In November 2018, the Authority provided a two-year loan of \$4,964 as a non-interest bearing note with first payment to be due, January 1, 2021. As of June 30, 2019, the balance of the note is \$4,964.

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:				
Buildings	\$ -	\$ 652,738	\$ -	\$ 652,738
Total capital assets not being depreciated	<u>-</u>	<u>652,738</u>	<u>-</u>	<u>652,738</u>
Capital assets being depreciated:				
Land improvements	\$ 9,604	\$ -	\$ -	\$ 9,604
Infrastructure	850,913	-	-	850,913
Total capital assets being depreciated	<u>860,517</u>	<u>-</u>	<u>-</u>	<u>860,517</u>
Less accumulated depreciation for:				
Land improvements	(4,161)	(640)	-	(4,801)
Infrastructure	(183,956)	(28,301)	-	(212,257)
Total accumulated depreciation	<u>(188,117)</u>	<u>(28,941)</u>	<u>-</u>	<u>(217,058)</u>
Total capital assets being depreciated, net	<u>672,400</u>	<u>(28,941)</u>	<u>-</u>	<u>643,459</u>
Total	<u>\$ 672,400</u>	<u>\$ 623,797</u>	<u>\$ -</u>	<u>\$ 1,296,197</u>

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>
Capital assets being depreciated:				
Land improvements	\$ 9,604	\$ -	\$ -	\$ 9,604
Infrastructure	850,913	-	-	850,913
Total capital assets being depreciated	<u>860,517</u>	<u>-</u>	<u>-</u>	<u>860,517</u>
Less accumulated depreciation for:				
Land improvements	(3,521)	(640)	-	(4,161)
Infrastructure	(155,655)	(28,301)	-	(183,956)
Total accumulated depreciation	<u>(159,176)</u>	<u>(28,941)</u>	<u>-</u>	<u>(188,117)</u>
Total capital assets being depreciated, net	<u>\$ 701,341</u>	<u>\$ (28,941)</u>	<u>\$ -</u>	<u>\$ 672,400</u>

7. NOTE PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY

The Authority has one remaining note payable to the County. Details on the loan can be found in note 3, Investment in Direct Finance Lease.

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

7. NOTE PAYABLE TO PRIMARY GOVERNMENT - YORK COUNTY, Continued

At June 30, 2019 and 2018, the outstanding principal balance on the note payable was \$76,667 and \$96,667 respectively.

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

<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
\$ 96,667	\$ -	\$ (20,000)	\$ 76,667	\$ 20,000

<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
\$ 116,667	\$ -	\$ (20,000)	\$ 96,667	\$ 20,000

The following is a summary of the repayment schedule for fiscal years:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	20,000	6,280
2021	20,000	6,280
2022	20,000	6,280
2023	16,667	5,233
Total	\$ 76,667	\$ 24,073

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, 2019</u>	<u>June 30, 2018</u>
Operating contributions	\$ 57,635	\$ 51,250
Contribution for capital commitments	801,143	262,910
Due from Primary Government - York County	-	18,250
Due to Primary Government - York County	167,327	18,715

In fiscal year 2018, \$18,715 due to the County and in fiscal year 2019, \$17,327 due to the County were primarily due to the Riverwalk Landing Lease agreement. In fiscal year 2019, the remaining \$150,000 due to the County was for a transfer to the County stormwater fund for an EDA stormwater project.

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

Notes to Basic Financial Statements
June 30, 2019 and 2018

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 \$243,084 and \$239,318, respectively, for the fiscal years ended June 30, 2019 and 2018. 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. In fiscal year 2019, the Authority received other rental income of \$3,420 from a temporary tenant occupying the nondepreciable building at 121 Alexander Hamilton Boulevard.

10. CONTINGENT LIABILITY

In fiscal year 2016, the Authority passed a resolution at its January 26, 2016 meeting authorizing the execution of a Financing Agreement for the acquisition of a 248-acre tract of land and the investment in the necessary infrastructure improvements. The Financing Agreement required approval of a Support Agreement by the Authority and the County's Board of Supervisors, which was approved on February 16, 2016. The principal and interest shall be payable from the revenues derived by the Authority from the sale or leasing of the project and payments made to the Authority by the County pursuant to the Support Agreement dated as of February 1, 2016 between the Authority and the County. A line of credit of \$8,000,000 was approved with Towne Bank and was structured as an interest-only line of credit that can be drawn-down as needed, without subordinating the land. The interest will be billed and paid monthly, with a maturity date of three years after the closing date of the line of credit. At maturity, any remaining principal balance on the line of credit may be converted to permanent repayment for up to a 10-year term. In April 2019, the line of credit remained unused and was closed.

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 6/30/2019</u>	<u>Aggregate Outstanding Payable at 6/30/2018</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	70,000,000
Educational Facilities Revenue Bonds, Series 2009	York River Academy Mixed Use Project	7/1/2009	Towne Bank	\$ 3,000,000	791,250	836,250
Qualified Non-Profit Revenue and Refunding Bond, Series 2013	Colonial Community Services, Inc. Project	7/19/2013	Virginia Commonwealth Bank	\$ 2,750,000	1,799,000	1,970,000
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	<u>5,775,000</u>	<u>6,800,000</u>
				Total	<u>\$ 78,365,250</u>	<u>\$ 79,606,250</u>

(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, 2019 and 2018, 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 30, 2019.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. 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.

A handwritten signature in blue ink that reads "Cheryl Behrman CPA". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
September 30, 2019