

**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, 2021 and 2020

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, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 October 4, 2021, 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.

Handwritten signature of Cheryl Bekaert in cursive script.

Virginia Beach, Virginia
October 4, 2021

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, 2021 and 2020. Please read it in conjunction with the Authority's financial statements following this section.

FINANCIAL HIGHLIGHT

- The Authority had a decrease in total Net Position during FY2021 of \$183,462 or 4.8%. A significant portion of the FY2021 Authority's net position, \$3,081,928, 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>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Current assets	\$ 1,480,160	\$ 1,599,789	\$ 1,404,343
Noncurrent assets	1,730,533	1,798,003	1,983,039
Capital assets	<u>585,577</u>	<u>614,518</u>	<u>1,296,197</u>
Total assets	<u>\$ 3,796,270</u>	<u>\$ 4,012,310</u>	<u>\$ 4,683,579</u>
Current liabilities	\$ 87,452	\$ 45,084	\$ 196,381
Noncurrent liabilities	<u>41,313</u>	<u>116,259</u>	<u>108,180</u>
Total liabilities	<u>128,765</u>	<u>161,343</u>	<u>304,561</u>
Investment in capital assets	585,577	614,518	1,296,197
Unrestricted	<u>3,081,928</u>	<u>3,236,449</u>	<u>3,082,821</u>
Total net position	<u>3,667,505</u>	<u>3,850,967</u>	<u>4,379,018</u>
Total liabilities and net position	<u>\$ 3,796,270</u>	<u>\$ 4,012,310</u>	<u>\$ 4,683,579</u>

At the close of the 2021 and 2020 fiscal years, the Authority's assets exceeded liabilities by \$3,667,505 and \$3,850,967, respectively. 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.

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

FINANCIAL ANALYSIS, Continued

In fiscal year 2020, the Authority's total net position decreased by \$528,051, primarily due to a decrease of intergovernmental operating revenue and a contribution of a building to the County of York, Virginia ("the County"). A significant portion of the Authority's net position, \$3,236,449, remained unrestricted and was 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>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Operating Revenues			
Intergovernmental	\$ 66,385	\$ 568,035	\$ 858,778
Waterfront and other rent	224,235	206,182	246,505
Administrative fees	136,507	140,028	140,751
Miscellaneous	500	2,500	4,000
Total operating revenues	<u>427,627</u>	<u>916,745</u>	<u>1,250,034</u>
Operating Expenses			
Waterfront operations	227,144	203,914	243,364
Loss on land held for resale	4,616	19,952	350,267
Loss on impairment of land held for resale	-	139,801	-
Economic development	305,805	343,467	252,189
Stormwater operations	-	-	150,000
Other fees and miscellaneous	74,880	92,044	91,030
Total operating expenses	<u>612,445</u>	<u>799,178</u>	<u>1,086,850</u>
Operating Income (Loss)	<u>(184,818)</u>	<u>117,567</u>	<u>163,184</u>
Total Nonoperating Revenues (Expenses)	<u>1,356</u>	<u>(645,618)</u>	<u>10,126</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>240,000</u>
Change in Net Position	<u>(183,462)</u>	<u>(528,051)</u>	<u>413,310</u>
Net position, beginning of the year	<u>3,850,967</u>	<u>4,379,018</u>	<u>3,965,708</u>
Net position, end of the year	<u>\$ 3,667,505</u>	<u>\$ 3,850,967</u>	<u>\$ 4,379,018</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 \$66,385 and \$568,035 for operations and other economic development for fiscal years 2021 and 2020, respectively.

In fiscal year 2021, the operating expenses decreased by \$186,733. The majority of the decrease was attributable to a loss on impairment of land held for resale incurred in fiscal year 2020. Nonoperating expenses decreased due to the contribution of a building to the County in fiscal year 2020.

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.

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CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
Land improvements	\$ 3,523	\$ 4,162	\$ 4,803
Building	-	-	652,738
Infrastructure	<u>582,054</u>	<u>610,356</u>	<u>638,656</u>
Total	<u>\$ 585,577</u>	<u>\$ 614,518</u>	<u>\$ 1,296,197</u>

Capital assets of land improvements and infrastructure at June 30, 2021 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>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
<u>\$ 36,667</u>	<u>\$ 56,667</u>	<u>\$ 76,667</u>

At June 30, 2021, 2020, and 2019, 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, 2021, the \$51,484 due to the County related to the Riverwalk Landing Lease agreement.

ECONOMIC FACTORS

- In FY2021, the Authority closed on a 3.39 acre sale in Busch Industrial Park with the Miller Group, a Virginia Beach based developer. The Miller Group is currently constructing a 20,000 square foot flex space building on the property that will be for lease in 10,000 square foot increments.
- In response to the Covid-19 pandemic, the EDA took action to aid the local business community. The EDA working in cooperation with the county distributed Cares Act funds (\$249,876) and Community Development Block Grant (CDBG) funds (\$552,762) through a streamlined grant process. A second round of CDBG funds (\$504,207) were secured and fully distributed by August 2021. The three grant programs assisted 223 York County businesses. The EDA also provided the Riverwalk Landing tenants rent concessions and deferrals in 2020.
- The Eastern Virginia Regional Industrial Facility Authority (EVRIFA), of which York County is a member, has finalized negotiations with the state to acquire 432 acres of surplus property in the county. The EVRIFA has also approved a ground lease agreement with CI Renewables for the construction of a 20 MW 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 EVRIFA plans to close on the property in October 2021.

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Management's Discussion and Analysis

- The EDA selected an architectural firm to redesign the Riverwalk Landing/Water Street Grille restaurant space at the Yorktown waterfront. The purpose of the project is to reconfigure the space to combine the restaurants, update the interior to adapt to the changing restaurant market, and improve the outdoor seating. The total project cost will be approximately \$3 million. A portion of the cost will be covered by Marconn, Inc., owner of the restaurants, as part of a cost sharing agreement yet to be finalized.
- A partnership with the Army Corps of Engineers was initiated to conduct a feasibility study for dredging the Back Creek entrance channel to the Seaford Scallop Company (SSC). Over time the channel has silted in and the scallop boats have been running aground negatively impacting the local scallop business. Scallop operations in York County make numerous contributions to the county, not the least of which is in the form of employment and tax revenue. The dredging project would help ensure the future viability of an important local industry. The EDA share of the feasibility study cost is expected to be \$228,600. Assuming the project reaches the implementation phase, the SSC has agreed, though non-binding, to cover the local cost-sharing portion of the actual dredging.

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
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Statements of Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,412,487	\$ 1,416,641
Accounts receivable	46,235	69,994
Other receivable	1,438	93,154
Investment in direct finance lease, current	20,000	20,000
Total current assets	<u>1,480,160</u>	<u>1,599,789</u>
Noncurrent assets:		
Restricted cash and equivalents	24,121	14,510
Land held for resale	1,263,105	1,341,948
Prepaid expense	13	914
Note receivable	426,627	403,964
Investment in direct finance lease, net current	16,667	36,667
Depreciable capital assets:		
Land improvements	9,604	9,604
Infrastructure	850,913	850,913
Accumulated depreciation	<u>(274,940)</u>	<u>(245,999)</u>
Total noncurrent assets	<u>2,316,110</u>	<u>2,412,521</u>
Total assets	<u>\$ 3,796,270</u>	<u>\$ 4,012,310</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 15,968	\$ 11,789
Due to Primary Government - York County	51,484	13,295
Note payable to Primary Government - York County	20,000	20,000
Total current liabilities	<u>87,452</u>	<u>45,084</u>
Noncurrent liabilities:		
Deposits payable	24,121	14,510
Unearned revenues	525	65,082
Note payable to Primary Government - York County, net current	16,667	36,667
Total noncurrent liabilities	<u>41,313</u>	<u>116,259</u>
Total liabilities	<u>128,765</u>	<u>161,343</u>
NET POSITION		
Investment in capital assets	585,577	614,518
Unrestricted	3,081,928	3,236,449
Total net position	<u>3,667,505</u>	<u>3,850,967</u>
Total liabilities and net position	<u>\$ 3,796,270</u>	<u>\$ 4,012,310</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>6/30/2021</u>	<u>6/30/2020</u>
Operating Revenues		
Intergovernmental	\$ 66,385	\$ 568,035
Waterfront and other rent	224,234	206,181
Lease income	1	1
Industrial revenue bond administrative fees	136,507	140,028
Miscellaneous	<u>500</u>	<u>2,500</u>
Total operating revenues	<u>427,627</u>	<u>916,745</u>
Operating Expenses		
Waterfront operations	105,234	99,168
Waterfront rentals	121,910	104,746
Loss on sale of land held for resale	4,616	19,952
Loss on impairment of land held for resale	-	139,801
Economic development incentives	305,805	343,467
Professional fees	17,713	22,840
Board member fees	4,100	4,900
Miscellaneous	24,126	35,363
Depreciation	<u>28,941</u>	<u>28,941</u>
Total operating expenses	<u>612,445</u>	<u>799,178</u>
Operating Gain (Loss)	<u>(184,818)</u>	<u>117,567</u>
Nonoperating Revenues (Expenses)		
Interest income	7,636	13,400
Interest expense	(6,280)	(6,280)
Contribution to County - building	<u>-</u>	<u>(652,738)</u>
Total nonoperating revenues (expenses), net	<u>1,356</u>	<u>(645,618)</u>
Change in Net Position	(183,462)	(528,051)
Total net position, beginning of year	<u>3,850,967</u>	<u>4,379,018</u>
Total net position, end of year	<u><u>\$ 3,667,505</u></u>	<u><u>\$ 3,850,967</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>6/30/2021</u>	<u>6/30/2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Primary Government - York County	\$ 66,385	\$ 568,035
Receipts from rental income	183,437	216,513
Other receipts	228,723	49,374
Proceeds from sale of land held for resale	74,227	6,182
Payments to suppliers for goods and services	(544,571)	(757,780)
Payments to Board members for services	(4,100)	(4,900)
Net cash provided by operating activities	<u>4,101</u>	<u>77,424</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	(6,280)	(6,280)
Net cash used in capital and related financing activities	<u>(6,280)</u>	<u>(6,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	7,636	13,400
Net cash provided by investing activities	<u>7,636</u>	<u>13,400</u>
Net change in cash and cash equivalents	5,457	84,544
Cash and cash equivalents, beginning of year	1,431,151	1,346,607
Cash and cash equivalents, end of year	<u>\$ 1,436,608</u>	<u>\$ 1,431,151</u>
Reconciliation of cash and cash equivalents to the Statements of Net Position:		
Cash and equivalents	\$ 1,412,487	\$ 1,416,641
Restricted cash and equivalents	24,121	14,510
Cash and cash equivalents, end of year	<u>\$ 1,436,608</u>	<u>\$ 1,431,151</u>
Reconciliation of operating gain (loss) to net cash provided by operating activities:		
Operating gain (loss)	\$ (184,818)	\$ 117,567
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:		
Depreciation	28,941	28,941
Loss on land held for resale	4,616	19,952
Loss on impairment of land held for resale	-	139,801
Changes in assets and liabilities:		
Accounts receivable	23,759	(17,748)
Prepaid expense	901	(899)
Note receivable	(22,663)	-
Other receivable	91,716	(93,154)
Land held for resale	74,227	6,182
Accounts payable	4,179	2,735
Unearned revenues	(64,557)	28,079
Deposits payable	9,611	-
Due to Primary Government - York County	38,189	(154,032)
Net cash provided by operating activities	<u>\$ 4,101</u>	<u>\$ 77,424</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>
Contribution to County - building	<u>\$ -</u>	<u>\$ 652,738</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, 2021 and 2020

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
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Notes to Basic Financial Statements
June 30, 2021 and 2020

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 \$75,744,866 and \$77,085,866 at June 30, 2021 and 2020, 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, 2021, restricted cash was \$24,121 and consisted of tenant security deposits and deposit payable for land sale. At June 30, 2020, restricted cash consisted of tenant security deposits of \$14,510.

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Notes to Basic Financial Statements
June 30, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Receivables

At June 30, 2021 and 2020, accounts receivable consisted of Riverwalk Landing rental payments and interest of \$46,235 and \$69,994, respectively. All outstanding receivables at June 30 have been subsequently collected; therefore, an allowance was not deemed necessary.

At June 30, 2021, other receivables consisted of Riverwalk Landing deferred rental payments of \$1,438. At June 30, 2020, other receivables consisted of bond fees of \$89,748 and Riverwalk Landing deferred rental payments of \$3,406. 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).

Unearned Revenues

At June 30, 2021, unearned revenues consisted of lease payments paid in advance of \$525. At June 30, 2020, unearned revenues consisted of lease payments paid in advance of \$65,082.

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

Notes to Basic Financial Statements

June 30, 2021 and 2020

2. DEPOSITS AND INVESTMENTS

The Authority's cash and investments consisted of:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Bank deposits and pending bank transfers	\$ 512,682	\$ 1,008,134
Local Government Investment Pool (LGIP)	923,926	423,017
	<u>\$ 1,436,608</u>	<u>\$ 1,431,151</u>
 <u>Reconciliation to Statement of Net Position:</u>		
Cash and equivalents	\$ 1,412,487	\$ 1,416,641
Restricted cash and equivalents	24,121	14,510
	<u>\$ 1,436,608</u>	<u>\$ 1,431,151</u>

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, 2021 and 2020, 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.

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

June 30, 2021 and 2020

3. INVESTMENT IN DIRECT FINANCE LEASE, Continued

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Minimum lease payments to be received	\$ 48,180	\$ 74,460
Less unearned revenues	(11,513)	(17,793)
Net investment in direct finance lease	<u>\$ 36,667</u>	<u>\$ 56,667</u>
Classified as:		
Current	\$ 20,000	\$ 20,000
Noncurrent	<u>16,667</u>	<u>36,667</u>
Total	<u>\$ 36,667</u>	<u>\$ 56,667</u>

Minimum future rental receipts under the direct financing lease as of June 30, 2021 are:

<u>Year</u>	
2022	\$ 26,280
2023	<u>21,900</u>
Total	<u>\$ 48,180</u>

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, 2021 and 2020 consists of the following:

<u>Property</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Jordan Property-Old York Hampton Highway	\$ 9,242	\$ 9,242
410 Old York Hampton Highway	263,900	263,900
Busch Property-Stafford Court	440,163	519,006
6714 George Washington Memorial Highway	349,800	349,800
3401 Hampton Highway	<u>200,000</u>	<u>200,000</u>
	<u>\$ 1,263,105</u>	<u>\$ 1,341,948</u>

ECONOMIC DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA
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Notes to Basic Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, none of the performance obligations have been met and 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. As of June 30, 2021 and 2020, the balance of the note is \$2,482 and \$4,964, respectively.

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, 2021, the balance of the note is \$25,145.

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

June 30, 2021 and 2020

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</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	(5,441)	(640)	-	(6,081)
Infrastructure	(240,558)	(28,301)	-	(268,859)
Total accumulated depreciation	<u>(245,999)</u>	<u>(28,941)</u>	<u>-</u>	<u>(274,940)</u>
Total capital assets being depreciated, net	<u>614,518</u>	<u>(28,941)</u>	<u>-</u>	<u>585,577</u>
Total	<u>\$ 614,518</u>	<u>\$ (28,941)</u>	<u>\$ -</u>	<u>\$ 585,577</u>

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not being depreciated:				
Buildings	\$ 652,738	\$ -	\$ 652,738	\$ -
Total capital assets not being depreciated	<u>652,738</u>	<u>-</u>	<u>652,738</u>	<u>-</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	(4,801)	(640)	-	(5,441)
Infrastructure	(212,257)	(28,301)	-	(240,558)
Total accumulated depreciation	<u>(217,058)</u>	<u>(28,941)</u>	<u>-</u>	<u>(245,999)</u>
Total capital assets being depreciated, net	<u>643,459</u>	<u>(28,941)</u>	<u>-</u>	<u>614,518</u>
Total	<u>\$ 1,296,197</u>	<u>\$ (28,941)</u>	<u>\$ 652,738</u>	<u>\$ 614,518</u>

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

Notes to Basic Financial Statements
June 30, 2021 and 2020

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.

At June 30, 2021 and 2020, the outstanding principal balance on the note payable was \$36,667 and \$56,667 respectively.

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

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
\$ 56,667	\$ -	\$ (20,000)	\$ 36,667	\$ 20,000

<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>One Year</u>
\$ 76,667	\$ -	\$ (20,000)	\$ 56,667	\$ 20,000

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 20,000	\$ 6,280
2023	16,667	5,233
Total	\$ 36,667	\$ 11,513

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, 2021</u>	<u>June 30, 2020</u>
Operating contributions	\$ 66,385	\$ 68,035
Contribution for capital commitments	-	500,000
Due to Primary Government - York County	51,484	13,295

In fiscal year 2021, \$51,484 due to the County and in fiscal year 2020, \$13,295 due to the County were related to the Riverwalk Landing Lease agreement.

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

Notes to Basic Financial Statements
June 30, 2021 and 2020

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 \$224,234 and \$206,181, respectively, for the fiscal years ended June 30, 2021 and 2020. 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.

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 6/30/2021</u>	<u>Aggregate Outstanding Payable at 6/30/2020</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	\$ 712,866	\$ 757,866
Qualified Non-Profit Revenue and Refunding Bond, Series 2013	Colonial Community Services, Inc. Project	7/19/2013	Virginia Commonwealth Bank	\$ 2,750,000	\$ 1,442,000	\$ 1,623,000
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	\$ 3,590,000	\$ 4,705,000
				Total	\$ 75,744,866	\$ 77,085,866

(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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 4, 2021.

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.

A handwritten signature in dark ink that reads "Cheryl Bekaert L.P." The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
October 4, 2021