

**MINUTES**  
**JAMES CITY COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**REGULAR MEETING**  
**101 D Mounts Bay Road, Williamsburg, VA 23185**  
**November 19, 2019**  
**4:00 PM**

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**A. CALL TO ORDER**

Ms. Bledsoe called the meeting to order at 4:02 p.m.

**B. ROLL CALL**

Robin Bledsoe, Chair  
Vince Campana  
Lynn Meredith  
Tom Tingle  
Carlton Stockton  
William Turner

Also Attending:

Christopher Johnson, Economic Development Authority (EDA) Secretary  
Jeff Wiggins (standing in for Cheryl Cochet), EDA Fiscal Agent  
Maxwell Hlavin, EDA Counsel  
Kate Sipes, Assistant Director, Economic Development  
Toni Small, Director, Stormwater Division  
Scott Stevens, County Administrator  
Leslie Roberts, CPA, Partner, Brown Edwards and Company, LLP  
Jack Jacobs, *The Virginia Gazette*

**C. APPROVAL OF MINUTES**

1. Minutes Adoption - October 15, 2019

A motion to Approve was made by Carlton Stockton; motion Passed.  
AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0  
Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

**D. FINANCIAL REPORTS**

1. October 2019 Financial Reports

A motion to Approve was made by Tom Tingle; motion Passed.  
AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0  
Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Mr. Wiggins presented the revenue and expense reports.

**E. CLOSED SESSION**

There was no Closed Session.

**ADOPTED**  
**DEC 17 2019**

## F. NEW BUSINESS

Ms. Bledsoe recognized guests in attendance: Mr. Stevens, County Administrator; Ms. Small, Director, Stormwater Division; Ms. Roberts, Brown Edwards and Company, LLP; and Mr. Jacobs, *The Virginia Gazette*.

### 1. Fiscal Year 2019 EDA Financial Audit

A motion to Approve was made by Carlton Stockton; motion Passed.

AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Ms. Leslie Roberts presented documents for the annual audit of the EDA's financial records and activities. Ms. Roberts pointed out this was another clean audit, with no findings.

### 2. LPGA Partnership Proposal 2020

A motion to Approve was made by Carlton Stockton; motion Passed.

AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Mr. Johnson presented the sponsorship proposal for the 2020 Pure Silk Kingsmill Championship, noting the two changes from last year were an increase in the number of wristbands available and participation in the Pro-Am Tournament.

Mr. Turner noted he has the names of several site selectors to forward to staff so they can be added to the invitation list.

Ms. Bledsoe requested that former EDA Directors also be included on the guest list.

Mr. Tingle voiced his support for the proposal.

### 3. Letter of Support Request

A motion to Approve was made by William Turner; motion Passed.

AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Ms. Bledsoe announced she had received an email from the owners of Sweethaven Lavender Farm, indicating they were applying for a grant from the United States Department of Agriculture for producers of value-added agricultural products. Ms. Bledsoe indicated the grant was for marketing efforts and the owners were requesting a Letter of Support from the EDA to accompany the grant application.

Ms. Meredith asked if the EDA would see the letter prior to it being signed and sent.

Ms. Bledsoe responded that it was possible, but she was uncertain about the timeframe in which the letter was needed.

Mr. Turner suggested the Chair or Vice Chair be authorized to sign a Letter of Support and asked for confirmation that no funding was being requested from the EDA.

Ms. Bledsoe confirmed there was not a request for EDA funding for this project.

4. EDA Retreat Planning

A motion to Approve was made by Vince Campana; motion Passed.

AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Mr. Johnson presented a tentative plan to invite speakers to the retreat to present on specific topics to include the Virginia Economic Development Partnership (VEDP), workforce development, and the Port of Virginia. Mr. Johnson recommended holding the retreat on the day and in the same location as the regularly scheduled EDA meeting, but perhaps starting earlier to allow for additional discussion.

Mr. Hlavin reminded the EDA that official action was needed to amend its meeting calendar if the date, location, or time of the meeting was changed.

Mr. Campana suggested starting at 3 p.m., and inviting speakers for the three topics referenced earlier.

General discussion followed with a consensus that the recommended topics for the retreat could better inform deeper discussions about strategies and work session topics after the first of the year.

**G. OLD BUSINESS**

1. Columbia Drive Stream Restoration Project

A motion to Approve was made by Tom Tingle; motion Passed.

AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Ms. Sipes summarized a previous presentation to the EDA regarding the County applying for grant funds to implement a stream restoration project on property owned by the EDA. Ms. Sipes noted the grant applications were successful and introduced Ms. Toni Small, Director of the Stormwater Division of General Services for James City County, to answer any questions.

Ms. Small informed the EDA the project would include 900 linear feet of stream channel and would provide water quality benefits. She noted the developable area of the property would not be reduced with the project, as all work would be completed inside the Resource Protection Area.

Mr. Tingle asked if any formal action was required by the EDA.

Ms. Small responded that two easements would be required at a later date. The first would be a temporary access easement to allow contractors to perform the work. The second would be a permanent maintenance easement. Ms. Small continued that the work would be completed by contractors paid with the funds provided by the grant

and the Board of Supervisors, and the on-going maintenance would be provided by the County.

Mr. Tingle voiced his support for the stream restoration project, noting his preference for having those easements be on a future EDA agenda for action at such a time the easements were needed to complete the project.

2. Outstanding Legal Fee - Bond Documents Update

A motion to Approve was made by Tom Tingle; motion Passed.

AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

Ms. Sipes reminded the EDA of legal work performed to review and revise bond documents. She noted the fee for the Bond Counsel was approved, based on a proposal that included an estimated cost of \$2,500 plus minor expenses, for up to \$2,750. Ms. Sipes noted the final bill had come in for \$2,980 or \$230 higher than the amount approved by the EDA. Ms. Sipes requested approval for the outstanding \$230.

3. Hunting and Monitoring JRCC Update

Ms. Sipes reminded the EDA it had approved an agreement with Mr. Ron Spivey to monitor the property owned by the EDA in the James River Commerce Center (JRCC) in exchange for allowing Mr. Spivey to bow hunt on the property. Ms. Sipes reminded the EDA Mr. Spivey had approached staff after the purchase of the property from Colonial Williamsburg with the proposal, as he had a similar arrangement with them as previous owners. Ms. Sipes indicated the agreement was for six months with automatic renewals, requiring Mr. Spivey to email reports of his activity on the property, and staff had been receiving the reports over the previous 12 months. Ms. Sipes also noted Mr. Spivey had mowed the property, which was not part of the agreement, and that the property had looked quite presentable at recent site visits with prospects.

After some discussion Ms. Bledsoe requested the reporting be expanded to include the number of people hunting the property and the dates the hunting takes place. She suggested the Real Estate Committee discuss the arrangement further, establish reporting requirements, and Mr. Spivey continue in the meantime.

Mr. Turner noted the monthly reports could be more detailed and he agreed with the suggestion to have the Real Estate Committee review the arrangement.

## **H. LIAISON REPORTS**

1. Board of Supervisors Liaison

Mr. Campana reported he has received many positive comments regarding the recent Celebration of Business event.

2. Business Liaison

No update at this time.

3. Eastern Virginia Regional Industrial Facility Authority

Ms. Bledsoe reported a meeting was held recently and operating procedures needed for every new organization were in progress.

4. Finance

No update at this time.

5. GO Virginia

Mr. Tingle reported a meeting was held October 24, 2019, in Virginia Beach where two grants were forwarded to the state with recommendation for approval.

6. Greater Williamsburg Chamber & Tourism Alliance Sports Marketing Committee

No update at this time.

7. Greater Williamsburg Partnership

Ms. Bledsoe reported a new Executive Director had been hired in October, Ms. Voncile Gilbreath.

8. JRCC Architectural Review Board

No update at this time.

9. Real Estate Holdings

No update at this time.

10. Strategic Investment Areas

No report at this time.

11. Workforce Development

No report at this time.

**I. DIRECTOR'S REPORT**

Mr. Johnson referenced the report in the Agenda Packet.

Mr. Turner inquired as to the status of the bulk characterization study conducted by consultants on behalf of the VEDP.

Mr. Johnson replied the various localities with property included in the study received draft information within the previous 24 hours and the 30-day review period was now underway.

**J. UPCOMING DATES OF INTEREST**

Mr. Johnson noted the date of the upcoming meeting and retreat, December 17, 2019 at 3 p.m.

**K. ADJOURNMENT**

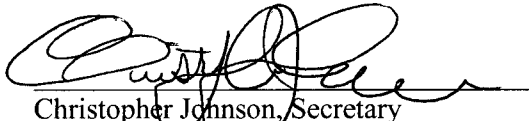
1. Adjourn until December 17, 2019

A motion to Adjourn was made by Carlton Stockton; motion Passed.

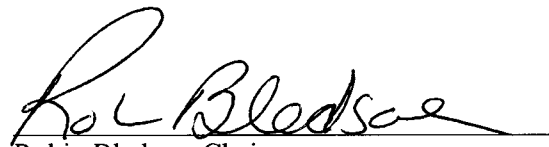
AYES: 6 NAYS: 0 ABSTAIN: 0 ABSENT: 0

Ayes: Bledsoe, Campana, Meredith, Stockton, Tingle, Turner

At approximately 5:43 p.m., Ms. Bledsoe adjourned the Authority.



Christopher Johnson, Secretary  
Economic Development Authority



Robin Bledsoe, Chair  
Economic Development Authority

**Report to the  
Members of  
the Board**

**ECONOMIC DEVELOPMENT  
AUTHORITY OF JAMES CITY  
COUNTY, VIRGINIA**

**June 30, 2019**

## **CONTENTS**

Contacts .....	1
Communications with Those Charged with Governance.....	2
Appendix A - Management Representation Letter	



## CONTACTS

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 1, 2019

To the Members of the Board  
Economic Development Authority of James City County, Virginia

We have audited the financial statements of Economic Development Authority of James City County, Virginia (the "Authority") for the year ended June 30, 2019, and have issued our report thereon dated October 1, 2019. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 10, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Economic Development Authority of James City County, Virginia, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciable lives is based on the James City County's policy. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The most significant disclosure in the financials was:

- Note 7 - Commitment of Operating Subsidies

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements or audit adjustments posted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter included in Appendix A.

### *Management Consultations with Other Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Significant Matters, Findings, or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Schedules of Revenue Bonds Outstanding – Conduit Debt, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of the Economic Development Authority of James City County, Virginia , and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia

## **Appendix A**

### **Management Representation Letter**





**Financial and Management Services**

101-F Mounts Bay Road  
P.O. Box 8784  
Williamsburg, VA 23187-8784  
757-253-6630  
[jamestownva.gov](http://jamestownva.gov)

October 1, 2019

Brown, Edwards & Company, L.L.P.  
701 Town Center Drive, Suite 700  
Newport News, VA 23606-4295

This representation letter is provided in connection with your audit of the financial statements of the Economic Development Authority of James City County, Virginia (the Authority), which comprise the respective financial position as of June 30, 2019, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 10, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) There are no uncorrected misstatements or omitted disclosures. Also, there were no adjusting journal entries proposed by you.
- 8) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

## Information Provided

9) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.

10) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

11) We have no knowledge of any fraud or suspected fraud that affects the Authority and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

12) We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.

13) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

14) We have disclosed to you all known actual or possible litigation, claims, and assessments, whose effects should be considered when preparing the financial statements. Also, the Authority has not contacted an attorney concerning litigation, claims or assessments during fiscal year 2019 through the date of this letter.

15) We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

## Government—specific

16) We have made available to you all financial records and related data.

17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

19) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

20) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions.

21) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

22) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

23) The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

24) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

25) Provisions for uncollectible receivables have been properly identified and recorded.

- 26) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 27) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 28) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 29) We acknowledge our responsibility for the required supplementary information (RSI). The RSI (Management's Discussion and Analysis) is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 30) We are aware that the Schedule of Revenue Bonds Outstanding is unaudited information and take full responsibility for the accuracy of the information.
- 31) We reaffirm the representations made to the previous auditors' in their letter dated September 20, 2018 with respect to the financial statements as of and for the year ended June 30, 2018.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signature: 

Robin Bledsoe

Title: Chairman - Economic Development Authority  
of James City County, Virginia

Signature: 

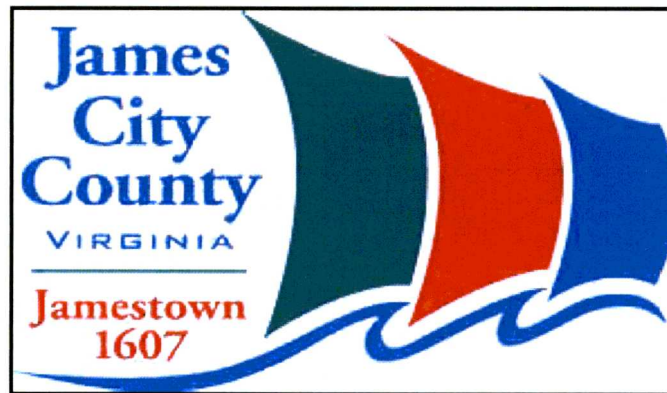
Cheryl Cochet

Title: Assistant Director of Financial &  
Management Services, James City County, Virginia



**Economic Development Authority  
of James City County, Virginia**

*(A Component Unit of the County of James City, Virginia)*



**Financial Statements and Supplemental Information**  
*(With Independent Auditor's Report Thereon)*

**June 30, 2019 and 2018**

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

<b>Table of Contents</b>
--------------------------

**Page**

***Introductory Section***

Authority Officials	i
---------------------	---

***Financial Section***

Independent Auditor's Report	1 - 2
------------------------------	-------

Management's Discussion and Analysis	3 - 5
--------------------------------------	-------

Basic Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses, and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16

***Compliance Section***

Report of Independent Auditor's 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>	17 - 18
Independent Auditor's Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants	19 - 20
Schedule of Findings and Responses	21

***Other Information***

Schedules of Revenue Bonds Outstanding - Conduit Debt (Unaudited)	22
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**Economic Development Authority of James City County, Virginia**  
***(A Component Unit of the County of James City, Virginia)***  
Authority Officials  
June 30, 2019

<b>Board Members</b>
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Robin Bledsoe, Chairman  
Christopher Odle, Vice Chairman  
Vincent Campana, III  
Jeffrey Scott  
Carlton Stockton  
Thomas G. Tingle  
William Turner

<b>Other Officials</b>
------------------------

P. Sue Sadler, Board of Supervisor Liaison  
Christopher Johnson, Secretary  
Jennifer Tomes, Treasurer  
Max Hlavin, Legal Counsel

## INDEPENDENT AUDITOR'S REPORT

To the Members  
Economic Development Authority of James City County, Virginia

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Economic Development Authority of James City County, Virginia as of and for the year ended June 30, 2019 and the related notes to the financial statements, as listed in the table of contents. These financial statements are the responsibility of the Economic Development Authority of James City County, Virginia's management.

### ***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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audits 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Authority of James City County, Virginia as of June 30, 2019, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on 2018 Financial Statements***

The financial statements of Economic Development Authority of James City County, Virginia as of and for the year ended June 30, 2018, were audited by other auditors whose report dated September 20, 2018, expressed an unmodified opinion on those statements.

### ***Other Matters***

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

The Schedules of Revenue Bonds Outstanding - Conduit Debt on page 22 have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2019, on our consideration of the Economic Development Authority of James City County, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Economic Development Authority of James City County, Virginia's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 1, 2019

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Management's Discussion and Analysis  
June 30, 2019 and 2018

This section of the **Economic Development Authority of James City County, Virginia's** (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2019 and 2018.

### Financial Highlights

The Authority had a decrease in net position of (\$32,341) for fiscal year 2019, primarily as a result of the planned use of net position to fund community development and promotional expenses. For fiscal year 2018, the Authority had an increase in net position of \$696,981, which was primarily a result of the County's capital contribution of two properties.

### Overview of the Financial Statements

The financial section of this report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements. The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these 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. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the 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 Management's Discussion and Analysis.

The Authority is a self-supporting entity and follows enterprise fund accounting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority.

### Financial Analysis

#### Summary of Statement of Net Position

	6/30/2019	6/30/2018	6/30/2017
Current and other assets	\$ 425,505	\$ 381,655	\$ 610,903
Capital assets, net of accumulated depreciation	1,906,816	1,933,778	1,050,835
<b>Total assets</b>	<b>\$ 2,332,321</b>	<b>\$ 2,315,433</b>	<b>\$ 1,661,738</b>
<b>Current liabilities</b>	<b>\$ 50,959</b>	<b>\$ 1,730</b>	<b>\$ 45,016</b>
<b>Net position</b>			
Net investment in capital assets	1,906,816	1,933,778	1,050,835
Unrestricted	374,546	379,925	565,887
<b>Total net position</b>	<b>2,281,362</b>	<b>2,313,703</b>	<b>1,616,722</b>
<b>Total liabilities and net position</b>	<b>\$ 2,332,321</b>	<b>\$ 2,315,433</b>	<b>\$ 1,661,738</b>

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Management's Discussion and Analysis  
June 30, 2019 and 2018

Total assets experienced an increase of \$16,888 for fiscal year 2019, primarily due to a receivable from the County for funding of a performance based agreement. Total assets experienced an increase of \$653,695 for fiscal year 2018, primarily due to the County's capital contribution of two properties.

Current liabilities experienced an increase of \$49,229 and a decrease of (\$43,286) at June 30, 2019 and 2018, respectively. The increase in 2019 was primarily as a result of an amount owed to a business by the Authority under a performance based agreement, whereas the decrease in 2018 was primarily as a result of the work on the marina property being completed.

At June 30, 2019 and 2018, assets exceeded liabilities by \$2,281,362 and \$2,313,703, respectively.

**Summary of Statement of Revenues, Expenses and Changes in Net Position for the Year Ended**

	6/30/2019	6/30/2018	6/30/2017
Intergovernmental - County contribution	\$ 79,427	\$ 111,768	\$ 455,038
Other operating revenues	97,807	82,437	116,287
<b>Total operating revenues</b>	<b>177,234</b>	<b>194,205</b>	<b>571,325</b>
Community development & Launchpad	127,361	213,400	280,800
Other expenses	85,284	93,029	82,535
<b>Total operating expenses</b>	<b>212,645</b>	<b>306,429</b>	<b>363,335</b>
<b>Operating income (loss)</b>	<b>(35,411)</b>	<b>(112,224)</b>	<b>207,990</b>
Net nonoperating revenues (expenses)	3,070	809,205	(76,984)
<b>Change in net position</b>	<b>(32,341)</b>	<b>696,981</b>	<b>131,006</b>
<b>Net position - beginning of year</b>	<b>2,313,703</b>	<b>1,616,722</b>	<b>1,485,716</b>
<b>Net position - end of year</b>	<b>\$ 2,281,362</b>	<b>\$ 2,313,703</b>	<b>\$ 1,616,722</b>

Revenues represented the County's contribution to the Authority and other operating revenues from bond fees, and lease income from the Mainland Farm and marina property. For fiscal year 2019, the County contribution decreased by (\$32,341), primarily as a result of the conclusion of the work on the marina property. In fiscal year 2018, the County contributions decreased by (\$343,270) primarily as a result of the development of the marina property being completed. In 2019 and 2018, other operating revenues increased by \$15,370 and decreased by (\$33,850), respectively. The increase in 2019 was primarily attributable to the incremental increase in lease income on the marina property and the recovery of bad debt from a previous year. The decrease in 2018 was primarily attributable to the Authority no longer being the fiscal agent for Launchpad.

Community development and Launchpad consists primarily of contributions toward local business efforts, grants awarded to local businesses for exceeding certain investment figures, performance agreements, and costs associated with Launchpad, while other expenses include costs such as advertising and professional fees. Community development and Launchpad expenses reflect a decrease of (40.3%) for fiscal year 2019, mainly because the County made a contribution directly to an outside agency to support regional economic collaboration, which had been a cost paid by the Authority in prior fiscal years. Community development and Launchpad expenses reflected a decrease of (24.0%) for fiscal year 2018, given that the Authority had a full fiscal year of not being the Launchpad fiscal agent.

For fiscal year 2019, other expenses decreased by (\$7,745), primarily due to a reduction in promotion costs. For fiscal year 2018, other expenses increased by \$10,494, primarily due to marina property expenses and the depreciation on the project.

Net nonoperating revenues (expenses) consist of interest income, loss on the disposal of capital assets, and capital contributions. The decrease of (\$806,135) in 2019 was primarily due to no capital contributions during the fiscal year. The increase of \$886,189 in 2018 was due to capital contributions of two properties from the County.

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Management's Discussion and Analysis  
June 30, 2019 and 2018

Total net position decreased (\$32,341) and increased \$696,981 in 2019 and 2018, respectively. The decrease in 2019 primarily resulted from a planned use of net position to cover expenses in the fiscal year, and the 2018 increase resulted from the County's capital contribution of two properties.

<b>Capital Assets</b>			
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
Nondepreciable	\$ 1,238,661	\$ 1,238,661	\$ 1,048,745
Depreciable	668,155	695,117	2,090
<b>Capital assets, net</b>	<b>\$ 1,906,816</b>	<b>\$ 1,933,778</b>	<b>\$ 1,050,835</b>

During fiscal year 2019, net capital assets decreased primarily as a result of depreciation. During fiscal year 2018, the Authority received capital contributions of two properties from the County, representing the increase in nondepreciable capital assets from 2017. Also in 2018, the increase in depreciable assets was due to the completion of the marina property construction.

Additional information can be found in Note 6 to the basic financial statements.

<b>Debt Administration</b>
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The Authority has issued Economic Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. It should be noted this represents conduit debt and although conduit debt obligations bear the name of the governmental issuer, which is the Authority, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. Additional information can be found in the Other Information section on the Schedules of Revenue Bonds Outstanding – Conduit Debt (Unaudited).

**Requests for Financial Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors 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 this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

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**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

**Statements of Net Position**

	<u>6/30/2019</u>	<u>6/30/2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments (Note 2)	\$ 341,040	\$ 350,083
Due from James City County (Note 4)	48,116	3,544
Accounts receivable	8,146	-
Bond fee receivable	3,203	3,028
<b>Total current assets</b>	<u>400,505</u>	<u>356,655</u>
<b>Notes receivable, net allowance (Note 5)</b>	<u>25,000</u>	<u>25,000</u>
<b>Capital assets (Note 6)</b>		
Nondepreciable	1,238,661	1,238,661
Depreciable, net	668,155	695,117
<b>Capital assets, net</b>	<u>1,906,816</u>	<u>1,933,778</u>
<b>Total assets</b>	<u>\$ 2,332,321</u>	<u>\$ 2,315,433</u>
<b>Liabilities and Net Position</b>		
<b>Current liabilities</b>		
Accounts payable	<u>\$ 50,959</u>	<u>\$ 1,730</u>
<b>Net position</b>		
Net investment in capital assets	1,906,816	1,933,778
Unrestricted	374,546	379,925
<b>Total net position</b>	<u>2,281,362</u>	<u>2,313,703</u>
<b>Total liabilities and net position</b>	<u>\$ 2,332,321</u>	<u>\$ 2,315,433</u>

*See accompanying notes to financial statements.*

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

**Statements of Revenues, Expenses, and Changes in Net Position**

	Years Ended	
	6/30/2019	6/30/2018
<b>Operating revenues</b>		
Intergovernmental - County contribution (Note 4)	\$ 79,427	\$ 111,768
Lease income (Note 7)	76,225	64,725
Bond fees	17,671	17,712
Miscellaneous	3,911	-
<b>Total operating revenues</b>	<u>177,234</u>	<u>194,205</u>
<b>Operating expenses</b>		
Community development	127,361	213,400
Depreciation	25,896	17,435
Note forgiveness (Note 5)	-	2,573
Other	337	553
Promotion	39,866	55,585
Professional fees	19,185	16,883
<b>Total operating expenses</b>	<u>212,645</u>	<u>306,429</u>
<b>Operating loss</b>	<u>(35,411)</u>	<u>(112,224)</u>
<b>Nonoperating revenue (expenses)</b>		
Interest income	4,136	4,360
Loss on disposal of capital assets	(1,066)	-
Capital contribution	-	804,845
<b>Total nonoperating revenue (expenses), net</b>	<u>3,070</u>	<u>809,205</u>
<b>Change in net position</b>	(32,341)	696,981
<b>Net position, beginning of year</b>	<u>2,313,703</u>	<u>1,616,722</u>
<b>Net position, end of year</b>	<u>\$ 2,281,362</u>	<u>\$ 2,313,703</u>

*See accompanying notes to financial statements.*

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

**Statements of Cash Flows**

	<b>Years Ended</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>
<b>Cash flows from operating activities</b>		
Receipts from County and customers	\$ 124,341	\$ 215,063
Payments to suppliers	(137,520)	(332,280)
<b>Net cash used in operating activities</b>	<b>(13,179)</b>	<b>(117,217)</b>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	-	(95,533)
<b>Cash flows from investing activities</b>		
Interest received	4,136	4,360
<b>Net decrease in cash</b>	<b>(9,043)</b>	<b>(208,390)</b>
<b>Cash and short-term investments, beginning of year</b>	<b>350,083</b>	<b>558,473</b>
<b>Cash and short-term investments, end of year</b>	<b>\$ 341,040</b>	<b>\$ 350,083</b>
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (35,411)	\$ (112,224)
Adjustments to reconcile operating loss to cash used for in operating activities:		
Depreciation	25,896	17,435
Note forgiveness (Note 5)	-	2,573
Changes in assets and liabilities:		
Bond fee receivable	(175)	(3,028)
Due from James City County	(44,572)	16,588
Accounts receivable	(8,146)	-
Notes receivable	-	4,725
Accounts payable	49,229	(43,286)
<b>Net cash used in operating activities</b>	<b>\$ (13,179)</b>	<b>\$ (117,217)</b>
<b>Schedule of non-cash capital and related financing activities</b>		
Capital contributions	\$ -	\$ 804,845

*See accompanying notes to financial statements.*

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

Notes to Financial Statements

June 30, 2019 and 2018

**1) Summary of Significant Accounting Policies**

The Economic Development Authority of James City County, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of James City County (County) on July 9, 1979, pursuant to the provisions of the Economic Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the Code of Virginia (1950), as amended). The Authority is governed by a seven-member board appointed by the Board of Supervisors of James City County, Virginia. The essential purpose of the Authority is to promote industrial and commercial development in the County.

**The Reporting Entity**

The Authority has been determined to be a component unit of the County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Component units are legally separate entities for which a primary government is financially accountable. The County is financially accountable given the significance of the Authority's fiscal dependence on and financial relationship with the County. As a result of the County's financial accountability for the Authority, the information included in these financial statements is included in the financial statements of the County.

Implementation of these reporting requirements in no way infringes upon the independence of the Authority nor otherwise impairs the Authority's power to perform its functions under state law.

**Basis of Accounting and Presentation**

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting as an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the Authority's ongoing operations. Operating revenues include revenue from the County, bond fees, and lease income. Operating expenses include the costs related to promoting and developing the County and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Authority generally first uses restricted net position for expenses incurred for which both restricted and unrestricted net position are available. The Authority may defer the use of restricted net position based on a review of the specific transaction.

**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.

**Capital Assets**

The Authority's policy is to capitalize assets with a cost basis or acquisition value at time of donation of \$5,000 or greater. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. When appropriate, the Authority provides for depreciation of capital assets using the straight-line method at amounts estimated to amortize the cost or other basis of the assets over their estimated useful lives.

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Notes to Financial Statements  
June 30, 2019 and 2018

**1) Summary of Significant Accounting Policies, Continued**

The Authority's capital assets consist of land, land improvements, buildings and improvements, infrastructure, construction in progress, and furniture and equipment. Depreciation is taken over the capital assets estimated useful lives as follows:

	<u>No. of Years</u>
Land improvements	20
Building and improvements	40
Infrastructure	25-30
Furniture and equipment	10

**Pass-Through Financing Leases**

Some activities of the Authority represent pass-through leases. The Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities within the County. These agreements provide for periodic rental payments in amounts, which are 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 secure outstanding obligations, and title will revert to the lessee when the bonds are fully paid.

Therefore, while 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, liabilities, deferred inflows or outflows of resources, rental income, or interest expense in its financial statements.

**Advertising Costs**

Advertising costs (promotion expenses) are expensed in the period in which they are incurred.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in 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 those estimates and assumptions.

**2) Cash and Short-Term Investments**

The Authority's cash and short-term investments consisted of:

	<u>6/30/2019</u>	<u>6/30/2018</u>
Bank deposits	\$ 102,551	\$ 115,729
Investments	238,489	234,354
	<u>\$ 341,040</u>	<u>\$ 350,083</u>

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*.

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

Notes to Financial Statements

June 30, 2019 and 2018

**2) Cash and Short-Term Investments, Continued**

The Authority's investments were as follows:

<b>Investment Type</b>	<b>6/30/2019</b>		<b>6/30/2018</b>	
	<b>Amount</b>	<b>Maturity</b>	<b>Amount</b>	<b>Maturity</b>
Certificate of deposit (cost-based)	\$ 119,118	2021	\$ 117,053	2021
Certificate of deposit (cost-based)	119,118	2021	117,053	2021
LGIP (amortized cost)	253	1 day	248	1 day
	<u>\$ 238,489</u>		<u>\$ 234,354</u>	

The Authority utilizes the Investment Policy (Policy) of the County, which is enforced by the James City County Treasurer. In accordance with the Code of Virginia and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, which measures its investments at amortized cost). The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury obligations	100% maximum
Federal Agency obligations	100% maximum
Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum

**Credit Risk**

As required by state statute, the Policy requires commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of "AA" long-term debt rating by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service. Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

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

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Notes to Financial Statements  
June 30, 2019 and 2018

**2) Cash and Short-Term Investments, Continued**

**Concentration of Credit Risk**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

**Interest Rate Risk**

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

**Custodial Credit Risk**

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, 2019 and 2018, all of the Authority's investments are held in a bank's trust department in the Authority's name.

**3) Conduit Debt Obligations**

From time to time, the Authority has issued Economic Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2019 and 2018, there were 15 series of Economic Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$190 million and \$181 million, respectively.

**4) Transactions with Related Parties**

Certain financial management and accounting services are provided to the Authority by the County. Services were provided at no charge during the years ended June 30, 2019 and 2018. In addition, certain personnel costs in 2019 and 2018 were incurred by the County for the benefit of the Authority at no charge to the Authority.

Certain legal services are provided to the Authority by the County. The charges for these services amounted to \$6,000, respectively for the years ended June 30, 2019 and 2018, and are included in professional fees in the accompanying statements of revenues, expenses, and changes in net position.

At June 30, 2019, the County owed \$48,116 to the Authority for its contribution to fund an incentive to a business under a performance based agreement. At June 30, 2018, the County owed \$3,544 to the Authority for its contribution for enterprise zone incentive payments.

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**

Notes to Financial Statements

June 30, 2019 and 2018

**4) Transactions with Related Parties, Continued**

The Authority negotiates tax abatements as part of the Enterprise Zone Grant Program, the purpose of which is to bring new commercial and industrial businesses to the County. The County provided \$12,231 and \$19,787 to the Authority to cover the costs of these payments in fiscal years 2019 and 2018, respectively.

In fiscal year 2016, the Authority entered into a performance agreement with a business to provide incentive payments based on their investment in machinery and tools, and the County agreed to fund the incentive payments. The Authority paid \$48,116 and \$47,052 during fiscal years 2019 and 2018, respectively, for this incentive and the funding was provided by the County. These payments are included in community development expenses in the accompanying statements of revenues, expenses, and changes in net position.

The County also provided the Authority with reimbursement for expenses incurred for the James River Commerce Center, including costs for surveys and wetland mitigation credits. For fiscal year 2019, the County paid the Authority \$19,080 to reimburse these costs. During fiscal year 2018, the County paid the Authority \$44,929 to reimburse expenses incurred for work at the marina property.

**5) Notes Receivable**

A summary of notes receivable for fiscal years 2019 and 2018 is below.

	6/30/2019	6/30/2018
Regina Enterprises, LLC	\$ 73	\$ 2,573
MODU System America, LLC	25,000	25,000
<b>Subtotal</b>	25,073	27,573
Allowance for doubtful accounts	(73)	(2,573)
<b>Total notes receivable</b>	<u>\$ 25,000</u>	<u>\$ 25,000</u>
<b>Reconciliation to Statements of Net Position:</b>		
Notes receivable, current	\$ -	\$ -
Notes receivable, non-current	25,000	25,000
<b>Total notes receivable</b>	<u>\$ 25,000</u>	<u>\$ 25,000</u>

On October 13, 2010, the Authority entered into a loan forgiveness agreement with Regina Enterprises, LLC for \$5,000, and on August 11, 2016, the Authority extended the loan forgiveness date to March 31, 2019 at 0% interest. During fiscal year 2018, Regina Enterprises, LLC closed, the remaining loan balance of \$2,573 became due, and an allowance for doubtful accounts was established for this amount. During fiscal year 2019, the Authority collected \$2,500 of the balance due, and the allowance for doubtful accounts was reduced accordingly.

On May 24, 2016, the Authority entered into an agreement with MODU System America, LLC and OKS International, LLC, in which the Authority made a one-time grant of \$25,000 to the businesses in exchange for specified performance. Per the agreement, the grant was in the form of a zero-interest loan to be forgiven at the end of seven years if the terms were satisfied in full. On May 10, 2019, the Authority entered into a supplemental agreement with these businesses to cure defaults that had occurred in the original agreement and provide a method to cure potential future defaults.



**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Notes to Financial Statements  
June 30, 2019 and 2018

**6) Capital Assets**

A summary of the capital asset activity for fiscal years 2019 and 2018 is below.

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019
Capital assets, nondepreciable:				
Land	\$ 1,037,951	\$ -	\$ -	\$ 1,037,951
Land improvements	34,200	-	-	34,200
Construction in progress	166,510	-	-	166,510
<b>Total capital assets, nondepreciable</b>	<b>1,238,661</b>	<b>-</b>	<b>-</b>	<b>1,238,661</b>
Capital assets, depreciable:				
Land improvements	237,988	-	-	237,988
Buildings and improvements	290,095	-	-	290,095
Infrastructure	182,379	-	-	182,379
Furniture and equipment	5,119	-	5,119	-
<b>Total capital assets, depreciable</b>	<b>715,581</b>	<b>-</b>	<b>5,119</b>	<b>710,462</b>
Less accumulated depreciation:				
Buildings and improvements	4,835	7,252	-	12,087
Land improvements	7,933	11,899	-	19,832
Infrastructure	4,155	6,233	-	10,388
Furniture and equipment	3,541	512	4,053	-
<b>Total accumulated depreciation</b>	<b>20,464</b>	<b>25,896</b>	<b>4,053</b>	<b>42,307</b>
<b>Total capital assets, depreciable, net</b>	<b>695,117</b>	<b>(25,896)</b>	<b>1,066</b>	<b>668,155</b>
<b>Total capital assets, net</b>	<b>\$ 1,933,778</b>	<b>\$ (25,896)</b>	<b>\$ 1,066</b>	<b>\$ 1,906,816</b>

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018
Capital assets, nondepreciable:				
Land	\$ 233,106	\$ 804,845	\$ -	\$ 1,037,951
Land improvements	-	34,200	-	34,200
Construction in progress	815,639	-	649,129	166,510
<b>Total capital assets, nondepreciable</b>	<b>1,048,745</b>	<b>839,045</b>	<b>649,129</b>	<b>1,238,661</b>
Capital assets, depreciable:				
Land improvements	-	237,988	-	237,988
Buildings and improvements	-	290,095	-	290,095
Infrastructure	-	182,379	-	182,379
Furniture and equipment	5,119	-	-	5,119
<b>Total capital assets, depreciable</b>	<b>5,119</b>	<b>710,462</b>	<b>-</b>	<b>715,581</b>
Less accumulated depreciation:				
Buildings and improvements	-	4,835	-	4,835
Land improvements	-	7,933	-	7,933
Infrastructure	-	4,155	-	4,155
Furniture and equipment	3,029	512	-	3,541
<b>Total accumulated depreciation</b>	<b>3,029</b>	<b>17,435</b>	<b>-</b>	<b>20,464</b>
<b>Total capital assets, depreciable, net</b>	<b>2,090</b>	<b>693,027</b>	<b>-</b>	<b>695,117</b>
<b>Total capital assets, net</b>	<b>\$ 1,050,835</b>	<b>\$ 1,532,072</b>	<b>\$ 649,129</b>	<b>\$ 1,933,778</b>

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Notes to Financial Statements  
June 30, 2019 and 2018

**7) Commitment of Operating Subsidies**

The following operating subsidy agreements were in effect for fiscal years 2019 and 2018.

- On October 8, 2012, the Authority entered into a Memorandum of Understanding (MOU) with the Economic Development Authority of the City of Williamsburg, Virginia (EDA-WMSBG) and the Economic Development Authority of York County, Virginia (EDA-YORK) regarding the operation of a regional business incubator, later referred to as "Launchpad." In fiscal year 2017, Launchpad along with all other regional economic development initiatives were transferred to the Greater Williamsburg Partnership (GWP).

On November 12, 2014, the Authority entered into a new MOU with EDA-WMSBG and EDA-YORK regarding the operation of Launchpad. Per this MOU, the parties involved agreed that \$103,500 was a reasonable estimate of the annual costs to operate Launchpad. Accordingly, the Authority, EDA-WMSBG, and EDA-YORK each became responsible for one-third of the annual cost. During fiscal years 2018 and 2019, the Authority made annual contributions to Launchpad of \$34,500.

On May 1, 2015, the Authority, along with EDA-WMSBG and EDA-YORK, entered into a lease agreement for the Launchpad location. The initial term is for five years and one month, with the option to extend the term of the lease for one period of five years from the expiration date of the initial lease term. In accordance with the 2014 MOU, the annual contributions from the Authority, EDA-WMSBG, and EDA-YORK are used by Launchpad to pay for this lease. On July 29, 2019, the Launchpad gave notice that they intend to terminate their occupancy at 4345 New Town Avenue and relocate to 103 Tribe Square in October 2019. The three parties are responsible for paying the monthly lease payments of the property through the end of the lease term on May 31, 2020. As a party to the lease agreement, the Authority's minimum future lease payment under this lease at June 30, 2019 was \$24,818.

- During fiscal year 2013, the Authority entered into an agreement with Renwood Farms, Inc. (Renwood) commencing on February 1, 2013 and ending on January 31, 2016. Under the agreement, Renwood would be compensated from the proceeds from the sale of farm goods, and Renwood would pay the Authority \$14,725 on December 31 each year during the term of the agreement.

In October 2013, the Authority transferred ownership of the farm property to the County, and the County assigned the rights to the lease income earned from the property to the Authority to maintain the terms of the Authority's agreement with Renwood.

The agreement was renewed on November 1, 2016 and ends on December 31, 2019, with the ability to renew for two additional two-year terms. In fiscal years 2018 and 2019, the Authority received \$14,725 from Renwood annually.

- On August 25, 2015, the Authority along with EDA-WMSBG, and EDA-York entered into a memorandum of agreement for the creation of the Greater Williamsburg Partnership (GWP) recognizing the importance of regional economic collaboration. Per the agreement, the Authority would contribute \$0.95 per capita to support the joint effort. During fiscal year 2018, the Authority contributed \$69,659. In fiscal year 2019, the County assumed responsibility for the contribution to GWP.
- On August 2, 2016, the Authority entered into an agreement to lease a marina to Billsburg Brewery (the "Brewery"). The initial term of the lease is ten years with an annual base rent of \$60,000, increasing by 3% for each of the first five subsequent years and remaining an annual rent of \$70,000 for the last four years of the initial term. The lease came with the understanding that the Authority would construct a warehouse facility up to 10,000 square feet adjacent to the building and lease it to the Brewery.

**Economic Development Authority of James City County, Virginia**  
**(A Component Unit of the County of James City, Virginia)**  
Notes to Financial Statements  
June 30, 2019 and 2018

**7) Commitment of Operating Subsidies, Continued**

In connection with the lease, on August 2, 2016, the parties also entered into a performance agreement including certain incentives provided by the Authority in exchange for the Brewery's performance and investments in machinery and equipment. If the Brewery's performance qualified, such incentives included waiving a portion of the rent under the lease and the Authority incurring the construction costs of the warehouse facility suitable for alteration by the Brewery. Construction began in fiscal year 2017 and was completed during fiscal year 2018.

The Authority collected \$61,500 and \$50,000 of rent during fiscal years 2019 and 2018, respectively.

**8) Subsequent Event**

On July 31, 2019, the Authority sold a parcel of land located at 1716 Endeavor Drive resulting in a net settlement of \$214,007. The land was reflected in the Authority's capital assets at June 30, 2019 with a cost of \$327,156. As a result, this transaction was a net loss on the sale of land of \$113,149 during July 2019.

\* \* \* \* \*

***Compliance Section***



**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 Members  
Economic Development Authority of James City County, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Economic Development Authority of James City County, Virginia as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Economic Development Authority of James City County, Virginia's basic financial statements, and have issued our report thereon dated October 1, 2019.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 purposes.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 1, 2019





## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA LAWS, REGULATIONS, CONTRACTS AND GRANTS**

To the Members  
Economic Development Authority of James City County, Virginia

We have audited the financial statements of the Economic Development Authority of James City County, Virginia, as of and for the year ended June 30, 2019, and have issued our report thereon dated October 1, 2019.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Boards, Commissions and Authorities*, 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 general-purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the Economic Development Authority of James City County, Virginia, is the responsibility of the Economic Development Authority of James City County, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Economic Development Authority of James City County, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts and grants for which we performed tests of compliance:

### Code of Virginia

- Cash and Investments
- Conflicts of Interest
- Procurement
- Unclaimed Property

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Economic Development Authority of James City County, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the Members and management of Economic Development Authority of James City County, Virginia and the Auditor of Public Accounts and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

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

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 1, 2019



**ECONOMIC DEVELOPMENT AUTHORITY OF JAMES CITY COUNTY, VIRGINIA**  
**(A Component unit of the County of James City, Virginia)**

**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2019**

**1. Summary of Auditor's Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) There were no deficiencies noted in internal control to disclose.
- (c) The audit disclosed no items of noncompliance material to the financial statements.

**2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards***

None

**3. State Compliance Findings**

None

**4. Status of Prior Year State Compliance Findings**

None

***Other Information***

**Economic Development Authority of James City County, Virginia  
(A Component Unit of the County of James City, Virginia)**

**Schedules of Revenue Bonds Outstanding - Conduit Debt (Unaudited)**

<b>Bond</b>	<b>Date Issued</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
Build America Lease Revenue Bonds - James City County	9/23/2009	\$ -	\$ 9,555,000
Lease Revenue Bonds, Series 2011 - James City County	9/30/2011	2,001,000	2,668,000
Lease Revenue Bonds, Virginia Capital Projects - James City County	9/11/2012	14,860,000	16,845,000
Lease Revenue Refunding Bonds, Series 2014 - James City County	8/4/2014	8,595,000	9,640,000
Lease Revenue Refunding Bonds, Series 2015 - James City County	8/5/2016	31,180,000	35,700,000
Lease Revenue Bonds, Series 2016 - James City County	5/6/2016	23,860,000	24,860,000
Lease Revenue Bonds, Series 2018 - James City County	11/29/2018	21,015,000	-
Economic Development Revenue Bond - Christopher Newport University Educational Foundation	5/18/2001	2,426,119	2,486,119
Revenue Bond, Series B 2003 - Williamsburg Landing Inc.	9/1/2003	5,590,000	5,590,000
Revenue and Refunding Bond, Residential Care Facility - First Mortgage	5/11/2005	17,810,000	17,850,000
Revenue Refunding Bond, William and Mary Foundation, Series 2011 (Refunding Variable Rate Revenue Bond - William and Mary Foundation, Series 2006, issued 12/1/2006)	1/17/2012	8,090,000	8,090,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013A Senior	5/31/2013	29,525,000	29,715,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013A Subordinated	5/31/2013	9,897,733	9,897,733
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013B Senior	5/31/2013	6,500,000	6,500,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2013C Senior	5/31/2013	1,620,000	1,755,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2016	9/29/2016	6,885,744	232,957
		<b>\$ 189,855,596</b>	<b>\$ 181,384,809</b>

*See accompanying independent auditors' report.*